

# Closing the Gap between Relationship Marketing, Customer Relationship Management and Customer Complaint Management

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**Abstract:** *This study critically examines the literature on relationship marketing, customer relationship management, and customer complaint management. It aims to provide an overview of the fundamental principles of CRM and complaint management systems, identify research gaps, and examine current challenges. The study also explores the terminology, conceptual frameworks, and solutions offered by CRM systems, as well as the roots of prevailing challenges and the methodologies used to address them. It also reviews existing academic work and provides definitions derived from the literature review. The study also discusses the four aspects of complaint handling: procedure, person responsible, system, and policy. The study highlights distinctions and similarities between companies', legal, and theoretical perspectives on these aspects.*

**Keywords:** *CRM systems; complaints; customer; relationship marketing*

## 1 INTRODUCTION

To maintain a competitive edge and satisfy customers in a way that fosters a long-term connection, manufacturers are changing their business model from one that is product-dominated to one that is customer-centric. Company performance is seen to be influenced by how complaints are handled. It is essential to look at a company's internal complaint handling management to identify the critical elements that affect how well complaints are handled in the manufacturing sector. Thus, a comprehensive evaluation of a subset of publications, among the many published in recent years, that delve into the topics of service recovery, customer satisfaction, and complaint management was conducted. A significant part of the existing literature focuses on empirical investigations conducted on firms operating in service sectors rather than those engaged in the production of physical goods. This paper proposes to introduce a new theoretical framework and a pragmatic approach to improve customer relationship management (CRM), customer satisfaction, and customer complaint management.

Companies are engaged in fierce competition, striving not only to maintain their viability but also to secure their customers and cultivate lasting connections with them. Customer relationship management (CRM) has emerged as a technological solution that enables firms to optimize their goods, services, and sales, thereby fostering positive connections with their consumers. Customer relationship management (CRM) refers to a collection of corporate methods designed to establish and maintain sustainable customer connections that are both cost-effective and rewarding for customers [Faed, A. (2010), Ernst, et . all (2011)].

Other objectives pursued are to critically examine the existing literature relating to the fields of relationship marketing, customer relationship management, and customer complaint management. By using Customer Relationship Management (CRM), organizations have the ability to prioritize their long-term survival strategy over immediate profitability. To have a comprehensive understanding of customer relationship management (CRM), it is imperative to

elucidate its constituent elements and analyze its ramifications on organizational operations. The paper also aims to provide an overview of the fundamental principles of customer relationship management (CRM) and customer complaint management (CCM) systems. Identification of research gaps and examination of current challenges within customer relationship management (CRM) systems are undertaken. This facilitates the identification of the objectives of the doctoral thesis and the delimitation of the research boundaries. Customer complaints have the inherent ability to erode the standing of a business. Complaints have the potential to influence many aspects of communication, relationships and decision-making processes.

The review covers several aspects, such as the terminology and conceptual frameworks associated with CRM, as well as an exploration of the solutions offered by CRM systems and techniques. In addition, an analysis of the fundamentals of these systems is conducted, including customer satisfaction, customer acquisition, customer loyalty, perceived value, and interactivity. Furthermore, the study examines the roots of the prevailing challenges, the current body of knowledge about these issues, and the many methodologies used in previous attempts to address them. A comprehensive review and evaluation of existing academic work is then conducted to assess, juxtapose and examine the various viewpoints. We also examine several definitions derived from the literature review and provide all definitions already created by other researchers.

In addition, this study presents an analysis of customer relationship management (CRM) practices, including the many components of CRM, as well as strategies and methodologies derived from previous literature studies that have been extensively reviewed and deliberated. There are four aspects of complaint handling that should be considered: the procedure, the person responsible for handling complaints, the system and policy for handling complaints. Thus, some distinctions and similarities can be presented between the companies' perspectives, the legal perspectives

(including institutional) and the theoretical perspectives on these aspects.

In several sectors of customer relationship management, the importance of service management has increased dramatically in recent years (Pyon, C. et. al., 2011). Because of the belief that those satisfied customers are loyal and profitable, we develop and maintain strong customer relationships is now seen as an essential component in most business environments (González, A. G., 2015). As a result, service quality and customer satisfaction have emerged as crucial business objectives (Homburg, C. and A. Fürst., 2007). The importance of after-sales service cannot be underestimated if a long-term buyer-seller connection is to be achieved [(Ahn, J. S., & Sohn, S. Y., 2009).; (Gaiardelli, P., et. al., 2007); Lovelock, C.H., & Wirtz, J., 2014)].

According to studies, producing quality out of the product is only the minimum necessary requirement; service programs that are directly related to the physical product, such as financing, delivery, warranty, maintenance, and repair, are becoming increasingly important (González, A. G., 2015) and are driving the industrial sector through a process known as "service" (Ahn, J. S., & Sohn, S. Y., 2009). In most manufacturing enterprises, the after-sales business is carried out to meet customer requirements and is recognized as a significant business opportunity, a competitive advantage, a source of income and profit, and a provider of information for other operations. (Gaiardelli, P., et al., 2007).

## 2 RELATIONSHIP MARKETING

Currently, more than seventy marketing definitions reflect various flavors based on customers, media and types of business in present changing market. According to the American Marketing Association, "marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large".

Kotler (2003) defines marketing as "the science and art of exploring, creating and delivering values to satisfy the needs of a target market at a profit".

There are three main approaches of marketing consisting of systems, transactional and relational as follows: Regardless of "marketing mix management paradigm" general theory of marketing has never been occurred. However, Merton (1957) confirms that general theory of marketing can be developed under middle-range theories. A system approach is more appropriate to a general theory of marketing referring to compose all relevant actors and process nature of marketing (Vargo, S. L., & Lusch, R. F., 2016).

Nature of transactional marketing is criticized regard short term, transactional nature of marketing

mix with ignored humanism and quality of customer interactions, and single transaction.

Relationship marketing is a paradigm shift from transactional marketing to relational marketing. Three vacancies of marketing include the mass marketing, segmented market or niche marketing, and the one-to-one marketing (Kotler, 2003).

It is said that relationship marketing refers to all marketing activities directed toward establishing, developing and maintaining successful relational exchanges. With regard to any firm, there are ten forms of relationship marketing, which can be grouped into the relational exchanges involving suppliers, lateral organizations, customers, or one's own employees or business units. The key mediating variables in the process of relationship development are relationship commitment and trust.

Benouakrim et al. (2013) define relationship marketing as a strategic process aimed to establish, develop, maintain and strengthen the network of relationships with various stakeholders on the basis of strong economic and social standards and the achievement of common objectives. They also summarized that factors of success of relationship marketing include trust, commitment, satisfaction and relationship quality; and their consequences on the relational exchange, are namely performance, word-of-mouth communication, loyalty and cooperation.

Relationship marketing development is closely aligned with the growth of the service sector characterized by long-term customer relationships, focusing on customer-firm interaction and customer participation in service outcomes (Gummerus et al, 2017). So, this research chooses a case study in service which is passenger transport.

Relationship marketing represented a transformation from transactional exchanges to relational ones (Augustine, M. O., *et. all.*, 2023) and from attracting customers to satisfying and maintaining them (Isimoya, O. A., & Olaniyan, M. S., 2020) to maintaining relationships, such as relationship benefits, relationship value, trust, and commitment, and next to ending relationships (Padgett, D., *et. all.*, 2020). Besides, based on network viewpoints, relationship marketing played critical roles in value creation (Bonamigo, A., *et all.*, 2022) in networked economy.

The scope of relationship marketing has been broadened and fragmented into its sub areas such as relationship communication, relationship dynamics, negative aspects of close relationship, service recovery, service interactions, and inter-dependency between actors (Gummerus et al., 2017).

### 3 CUSTOMER RELATIONSHIP MANAGEMENT (CRM)

Customer relationship management (CRM) is a crucial concept for businesses to attract and maintain strong connections with consumers (Das, S., Mishra, M., & Mohanty, P. K., 2018). It involves combining people, procedures, and technology to understand and engage consumers, improving customer retention and strengthening their bonds. Effective CRM programs are essential for businesses to stay competitive and maintain healthy interactions with consumers. CRM IT applications can integrate front and back offices, customer touch points, and provide a 360-degree view of consumers. CRM is thought at both a strategic and functional level, generating and delivering target market values through internal processes and activities with external networks. A comprehensive approach to people, business processes, and technology is required for successful CRM results.

CRM is an effective marketing strategy at the functional level, improving business performance, customer satisfaction, and retention. It includes operational tasks that support the relationship marketing strategy, such as collecting customer data and organizing it to create target customer profiles. This study aims to address CRM at a strategic level, particularly customer complaint management, as most organizations face significant challenges in handling complaints due to a lack of systematic approach, strategic recognition of the importance of customer complaints, lack of systems and processes for recording and processing complaints, and a lack of non-financial indicators like customer satisfaction and complaints.

#### 3.1 *The customer relationship management process*

Customer relationship management (CRM) is a systematic process that aims to attract and retain customers by offering more service options and communication channels. It is a comprehensive, customer-centric approach that supports good business operations and improves customer relationships. CRM is a collaborative process that balances the profitability of a business with the satisfaction of its customers. It identifies present and future customers, fosters short- and long-term business interactions, and builds mutually beneficial relationships with them. CRM stimulates consumer focus, tailors offers and prices to each customer, and provides a complete picture of the customer to gather information about them in all phases of a company.

CRM links and systematizes important operations to embed reliable, sustainable, and valuable experiences for all partners in an organization. It can save operational expenses, engage appropriately with consumers, and make

better judgments by using CRM techniques and their components (Dyche, J., 2002). This benefits include improved customer support, conveying a distinct vision of an organization, and building a customer-oriented data warehouse. Overall, CRM is a valuable tool for businesses to enhance customer satisfaction and loyalty.

#### 3.2 *Complaints in the context of customer relations management*

Complaints are an expression of dissatisfaction by customers, often resulting from unsatisfactory services or products. They can be expressed verbally, in writing, or in person and are real situations that companies must address using the right tactics to satisfy consumers. Companies should respond quickly and completely to complaints, stimulating them to take necessary steps and come up with acceptable solutions.

Complaints can improve a company's image, boost loyalty, and foster customer-company interaction. By reducing the frequency of complaints, businesses can increase customer satisfaction and retention. However, customers may behave differently when filing complaints, using positive or negative ways to express their displeasure.

Companies must address complaints as a major issue to increase customer satisfaction, produce more, and earn more money. Complaints have traditionally served as a bridge between people and companies, and every dissatisfaction presents an opportunity for improvement. The emergence of updated complaints can serve as a springboard for investigation and development, and recognizing and crediting complaints as a necessary component of the business process can facilitate long-term connections with consumers.

According to research, 1-5% of all complaints are directed to the company headquarters or management group, while front-line agents, branches, or delegates receive 45% of all complaints. 50% of consumers choose not to file complaints due to feelings of helplessness. The severity of complaints varies, and as the problem worsens, costs increase. Research shows that customers who resolve complaints well are 30% more loyal than those who do not complain often.

Stauss (2010) emphasizes the importance of businesses addressing customer complaints openly. This involves involving responsible individuals in customer-centered interactions, treating consumers with kindness and empathy, understanding their situation, and preparing for various consumer attitudes and behaviors. The receiving party must take initiative, show courtesy, and gain trust from the customer. Actions should be taken immediately to address the next consumer, and the outcome should be genuine and fair to avoid prejudice.

Companies can use three methods of complaint resolution: financial solutions, practical solutions, and intangible solutions. Financial solutions involve reimbursement for the complainant, while practical solutions involve adjusting the product, offering a gift,

suggesting alternatives, or repairing the item or service. Intangible solutions involve expressing regret, paying attention to the customer, and providing convincing justifications for the problematic circumstances.

### 3.3 Complaints and their derivatives in the process of customer relationship management

Figure 1 depicts the relationship between complaint and the derived concepts of discontent, defection, and retention. Defection happens when a consumer no longer want to do business with a firm, which might occur as a result of complaints (Reinartz, W., *et al.*, 2005).

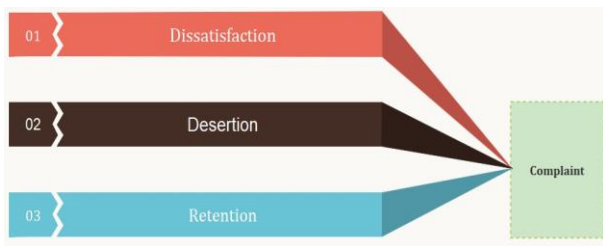


Fig. 1. Claims and their derivatives

Some concerns will merely result in unhappiness; in this instance, the corporation can resolve the issues in order to keep the customer pleased (Reinartz, W., *et al.*, 2005). The organization may boost client retention by responding quickly. Furthermore, the existence of expectancies and better retention are linked (Reinartz, W., *et al.*, 2005).

Defection is a common response to a complaint that has been referred to as a departing attitude (customers begin to forsake the firm's services and products). A consumer may choose not to register a complaint and instead seek out a competitive company. Customers that complain to voice their unhappiness may nonetheless elect to discontinue the company's services and products (Morgeson III, F. V., *et al.*, 2020).

Customers who defect express their desire to cease using a specific company's goods or services and to never do business with them again.

Defection may effectively indicate a customer's unhappiness. A customer's decision to discontinue utilizing a company's products and services is sometimes referred to as defection. This can occur over time owing to a variety of issues, resulting in the progressive degradation of the bonds.

Several studies have emphasized the benefits of client retention. A 1% increase in client retention improves and enhances the value of a business by 5%, according to the authors Becker, J. U., Greve, G., & Albers, S. (2009). Similarly, Hidalgo, P., *et al.*. (2008) shows that a 5% increase in client retention increases a company's earnings by 25-85%. Companies must identify consumers who were formerly lucrative but are now inactive and take the required steps to resurrect

them. Long-term consumers spend more and are less expensive to service, however replacing existing customers with "new" ones is manifestly a more expensive and hazardous approach because switched clients are more likely to voice dissatisfaction in the future. The emphasis on retention is founded on the continuous and constructive belief that there is a long-term and strong link between client retention and profitability.

Failure to validate specific service expectations as a result of service failure. This occurrence has been identified as the source of consumer unhappiness (Morgeson III, F. V., *et al.*, 2020). Complaint management may assist a company in better retaining its consumers. Because retention is the desired response when a client complains, the firm will be able to maintain its own customers if it can boost customer satisfaction and avoid all types of defections. After making mistakes, a company should strive to improve.

The repetitive structure of the complaints process allows a firm to learn more about its customers with each complaint (Dyche, J., 2002).

### 3.4 Satisfaction, loyalty and perceived value

Complaints play a crucial role in customer relationship management, influencing dissatisfaction, defection, and retention. Defection occurs when customers no longer want to do business with a company, often leading to a leaving attitude or abandoning the company's services and products. This can result from various reasons, such as not filing a complaint or turning to a competing firm.

Complaints management can help businesses better retain their customers by increasing customer satisfaction and avoiding defections. Iterative processes in the complaints process allow corporations to learn more about their consumers and improve after making mistakes. The focus on retention assumes that there is a durable and robust affiliation between customer retention and profitability.

In conclusion, complaints play a significant role in customer relationship management, influencing dissatisfaction, defection, and retention. By managing complaints effectively, companies can ensure customer satisfaction and avoid defections, ultimately enhancing their overall customer experience.

## 4. CONCLUSIONS

Complaint handling involves four aspects: procedure, person responsible, system, and policy. Companies', legal, and theoretical perspectives on these aspects differ. Service management has become crucial in customer relationship management, with satisfaction and loyalty being key objectives. After-sales service is essential for long-term buyer-seller connections. Service programs related to the physical product, such as financing, delivery, warranty, maintenance, and repair, are becoming increasingly important. After-sales business in manufacturing enterprises is a significant

business opportunity, competitive advantage, source of income, and information provider for other operations.

Relationship marketing transitions from transactional to relational exchanges, satisfying and maintaining customers, and fostering relationships through benefits, value, trust, and commitment. It plays a critical role in value creation in networked economies and encompasses sub-areas like relationship communication, dynamics, negative aspects, service recovery, and inter-dependency.

CRM is a vital tool for businesses to maintain strong customer relationships. It involves combining people, procedures, and technology to understand and engage customers, improve retention, and strengthen bonds. Effective CRM programs generate target market values through internal processes and external networks. This study focuses on strategic CRM, particularly customer complaint management, as organizations often face challenges in handling complaints due to a lack of systematic approach, recognition of importance, and systems for recording and processing complaints.

Complaints significantly impact customer relationship management, influencing dissatisfaction, defection, and retention. Defection occurs when customers leave a company due to dissatisfaction or avoid using the company's services. Studies show that a 1% increase in customer retention can improve a firm's value by 5% and increase profits by 25-85%. Effective complaint management can help businesses retain customers by increasing satisfaction and avoiding defections. Iterative processes in the complaints process help companies learn from mistakes and improve retention, ultimately enhancing customer experience.

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