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## Customer Intimacy Adoption and Customer Retention: A Study of Bakery Firms in Rivers State of Nigeria

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### **Abstract**

*This study investigated the impact of customer intimacy on customer retention of bakery firms in Rivers State of Nigeria. The study adopted a descriptive research design and a self-administered questionnaire on a sample size of 174 which is expediently extracted from top management staff of 33 bakery firms in Rivers State. To guarantee reliability, the Cronbach's Alpha reliability measure was applied using 'SPSS' version 22.0. In evaluating the relationship between the study variables of interest and to test the hypotheses, simple regression analysis was employed as an evaluation tool. The findings revealed a positive and significant impact of the dimensions of customer intimacy (trust and commitment) on customer retention. The study concludes that customer intimacy contributes significantly to customer retention through trust and commitment, and recommends amongst others that managers of bakery firms should vigorously encourage customer commitment in order to enhance their level of retention in their organizations.*

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**Keywords:** Commitment, Customer intimacy, Customer retention, Trust

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### **INTRODUCTION**

Customers today are highly informed and more aggressive in a demand obsessed and service-centric market, where companies face continually increasing competition. Leveraging business relationships to realize a competitive advantage becomes a key business strategy (Tuominen, Rajala & Mo, 2004) as all organizations aim at serving customers as best as possible (DeWaal, 2012). In order to achieve this significant purpose, customers must be well thought-out as king and co-created in the production and service delivery progressions.

Customer intimacy is one of the identified paradigms, which helps organizations to manage relationships with customers for mutual benefits (Treacy & Wiersema, 1993; Hoffman, 2001; Ackura & Srinivasan, 2005). Customer intimacy is an extensive obligation to provide service in the way a firm is able to supply a customer which in a roundabout way epitomizes their brand and value customers' contentment through better-quality customer service levels.

Customer intimacy is a composite construct, and even though quite a lot of metrics have been envisage in the field of Customer Relationship Management (Kellen, 2002), a good number of businesses thrash about to reckon and positively supervise the quantity of intimacy that they have time-honored with their customers. Relationship marketing is seen as an unavoidable option in an organization to attract and sustain valuable customers for long-term relationship. The driving principle of Customer Relationship Management (CRM) is to improve the overall quality of the

relationship with the customer and provide a seamless integration of every area of business that touches the customer, but several studies reveal the challenges of delivering business benefits out of CRM implementations (Richard, 2008).

Customer intimacy is strategic initiatives that look beyond customers' initial cost and single transaction to reflect on the customer's lifetime value to the company by emphasizes more on co-creation through linking the customer in the value creation process (Vargo & Lusch, 2008).

Customer intimacy can achieve many benefits for organizations, such as attracting organizational performance (Cuganesan, 2008; Anderson et al. 2011; Ackura & Srinivisan, 2005), and improving organization's competitive position (Treacy & Wiersema, 1993; Anderson et al., 2011)

Regardless of the plentiful benefits that customer intimacy proffers, only few scholarly investigations have been done. Some of the petite scholastic concentration publicized in the region of customer intimacy (e.g., Waal & Heijden, 2018; Osei, 2017; Brock & Zhou, 2012; Liang et al, 2010; Cuganesan, 2008, Yim et al., 2008; Akura & Srinivasan, 2005) with not many of these studies paying attention on the bakery firms. To empirically fill the gap in literature, this study investigates customer intimacy adoption in bakery firms, and validates its direct impact of customer intimacy on customer retention.

### **Statement of the Problem**

The bakery sector is an important one in Nigeria with a huge market for bakers since the country relies mostly on baked products which could be produced locally, yet, there have been the barrier of inadequate customer retention in bakery firms. Furthermore, there have been few studies done in the area of customer intimacy (Brock & Zhou, 2012; Cuganesan, 2010; Osarenkhoe, 2008; Hoffman, 2001), and the curiosity in customer intimacy has not hitherto transpired in the academia (Brock & Zhou, 2012). In fact, Brock and Zhou (2012) contend that potential researches should investigate the function of customer intimacy in other interactions. This study therefore, provides a lucid impact of the customer intimacy construct on customer retention by means of trust and commitment, and contributes to the enhancement of business-customer relationship in the bakery firms in Rivers State of Nigeria.

## **LITERATURE REVIEW AND HYPOTHESES**

### **Customer Intimacy**

Treacy and Wiersema (1993) developed the concept of customer intimacy and posit that customer intimacy is fragmenting and shaping offerings to specifically equal the requirements of customers. Customer intimacy as defined by Fickel (1999) is the marketing strategy in which the supplier or provider make efforts to get nearer to the customer. Treacy and Wiersema, (1993) defined customer intimacy as fragmenting and targeting markets specifically and afterward modifying offerings to meet unerringly customer demands. Yim et al. (2008) considered intimacy as the bondedness and connectedness of a relationship and maintained that service quality and customer satisfaction verifies how consumers build up loyalty towards firms.

Habryn et al. (2010) sees customer intimacy as enclosing a high quality affiliation with a customer and the degree to which a company and its constituents are able to power the knowledge achieved through this relationship in order to fashion the offering and to accomplish a competitive advantage.

Customer intimacy refers specifically to the fragmenting and targeting of markets, to permit companies to adapt their products to accurately equal the market niche and demands of customers. In an attempt to build customer intimacy, companies must discover a great deal as much as is achievable, each customer's behavior, attitudes and articulated requirements and bring into play that to appreciate where and what summit are in order to match customers' outlooks and keep hold of loyalty and trust which have turn out to be further noteworthy (Williams, Hernandez, Petrosky & Page, 2010).

### **Dimensions of Customer Intimacy**

Breakdown by assessment designates that, customer intimacy submits to a close and graspable affiliation between firms and customers (Brock & Zhou, 2012). However, there is no conformity amongst scholars regarding the dimensions of customer intimacy (Osei, 2017). In line with Osie (2017), this paper adopts trust and commitment as dimensions of customer intimacy.

### **Trust**

Trust implies the self-assurance of consumers in a firm's products and offers. Eze and Uguanyi (2012) assert that this confidence needs to be fortified to enable the existence of a strong relationship. Singh and Sirdeshmukh (2000) described trust is an adhesive that embraces relationship mutually. Bowen and Shoemaker (2003) conceptualize trust a vital building block of customer loyalty. Bitner (1995) revealed that a positive element stuck between trust and loyalty, in view of the fact that loyalty amplifies when there is an ingredient of trust

### **Commitment**

According to commitment is the eagerness of two parties to make short term forfeit in order to realize long term profits (Dwyer et al., 1987). Commitment in business presents for the continuation and establishment of associations amid player in marketplace (Lacey et al., 2007). Commitment can thus, be defined as a business and a customer's enthusiasm to sustain associations by making short term forfeitures for long term growth. Verhoef (2003) laid bare direct influence of commitment on association continuation and customer retention in a study and earlier researchers have established positive influence of commitment on customer retention (Morgan & Hunt, 1994; Garbarino & Johnson, 1999).

### **Customer Retention**

Customer retention is the enthusiasm of customers to advance in dealings with a firm (Gounaris, 2005). Customer retention is the Customer's future predisposition to have dealings with a business (Mohd, Kassim & Soudenn, 2007). Customer retention is an effective determinant of a firm's efficacy (Reichheld, 1996; Keiningham et al., 2007).

### **Previous Empirical Studies**

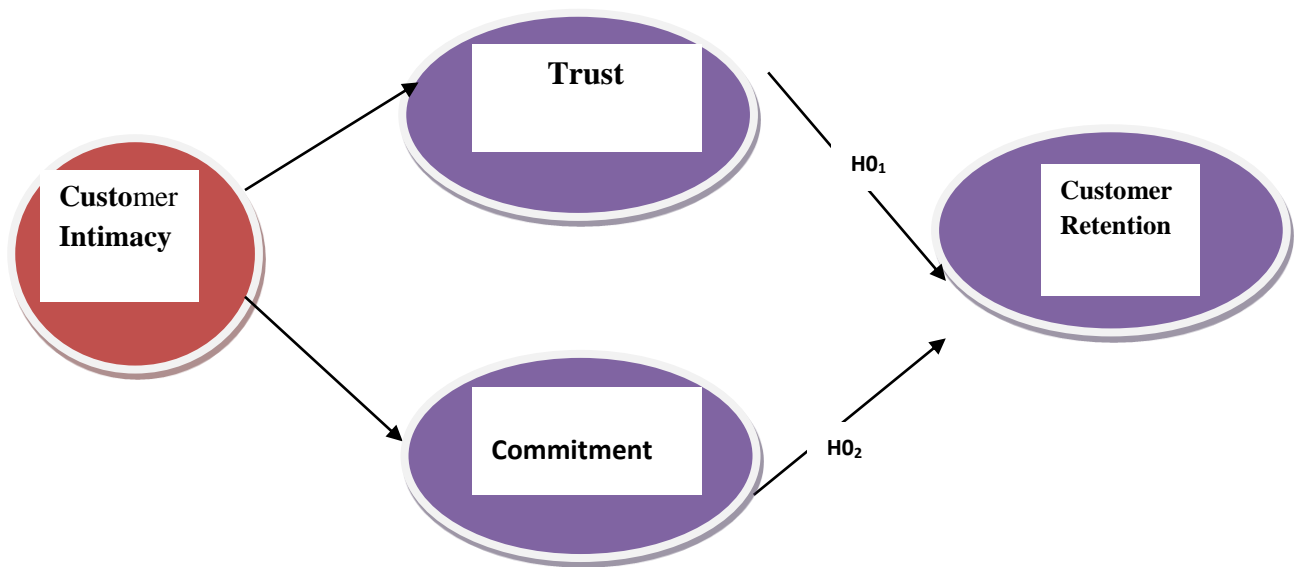
Waal and Heijden (2018) investigated the tangible behaviors that are required to create this customer loyalty and customer intimacy were acknowledged, based on a prior authenticated questionnaire at the same time as adding extra items. These items were afterwards authenticated in practice with a questionnaire dispersed amongst habitual customers of organizations. The results confirmed that eight behavioral factors of significance (service quality delivered by employees; capability of employees to deliver high quality; empathy of employees toward customers' wishes

and needs; understanding of employees of customers' needs; responsiveness of employees toward the needs of customers; courtesy of employees toward customers; service manner of employees; and trust customers place in employees significance) to create customer loyalty and customer intimacy exist.

Osei (2017) determined the extent to which customer intimacy adoption influence customer relationship management performance and organizational performance in an investigation of customer service managers in the manufacturing scenery of Ghana. Findings: The projected research model that connects customer intimacy with organizational performance through the mediating role of Customer Relationship Management Performance (customer loyal and retention) has been authenticated. In consequence, customer intimacy strategy is perceived to have positive influence customer relationship management performance and organizational performance.

Yim et al (2008) explored how intimacy and passion can enhance customer service interactions and influence the customer-firm relationship. The study projected a model which measured both the customer-staff and customer-firm interactions in analogously and confirmed the model by means of two empirical studies. The study summed up that the interface between customers and staff impacts firm's competitive advantage and has an intervening function in spiraling customer loyalty.

### OPERATIONAL MODEL



**Figure 1:** Operational Model of the impact of Customer Intimacy on Customer Retention.

**Source:** Osei, (2017). Customer Intimacy Adoption and its Impact on Organizational Performance.

Based on the operational model, the following hypotheses were formulated:

**H<sub>01</sub>:** Trust does not significantly impact on customer retention  
**H<sub>02</sub>:** Commitment does not significantly impact on customer retention

**METHODOLOGY**

This study employed the quantitative approach to investigate the impact of customer intimacy on customer retention. The simple random method and a multi-item Likert scale attached to a five point response plan were used. The questionnaire was pre-tested and the investigation was carried out in the bakery firms in Rivers State of Nigeria. The respondents were 174 top management staff obtained from a population of 33 bakery firms, whose genuine catalog was derived from the Commercial Department of the Rivers State Ministry of Commerce and Industry as at January, 2020. The questionnaire consists of two parts; the first is the demographic questions which characterized a number of the individual aspects of the respondents. The second part consists of wide-ranging questions that concern the subject under consideration. The Simple Regression analysis technique, aided by the statistical package for social sciences (SPSS), was employed to analysis the data.

**Results and Discussions**

Table 1 depicts regression output relating to the research hypotheses postulated earlier in this study. Two regression models (2 simple models) were used to explore the direct effects among variables in the research hypotheses.

**Table 1 Models Summary of the impact of customer intimacy adoption dimensions on customer retention (n=174).**

Model T	R P Value	R Square	Adjusted R Square	Std Error of the Estimate	F	Beta
Trust 4.936	0.943 0.000	0890	0.854	1802	24.364	0.944
Commitment 6.309	0.964 0.000	0.929	0.906	1441	39.802	0.964

a Predictors (constant), Trust, Commitment.

b. Dependent Variable: Customer Retention

*Source: SPSS 22.0 Window output (based on 2020 field survey data).*

Based on the fitness of these models, all regression models in this study are significant (all F values are significant with p = .000). The first model investigates the direct and positive impact of trust

on customer retention. From the result, it is evidence that  $H_0$  was rejected while  $H_1$  retained. The beta coefficient is positive and significant at ( $\beta = 0.94$ ,  $t = 4.936$ ), which supports  $H_1$ . More so, the second model result showed that commitment significantly affect customer retention as evidenced in ( $\beta = 0.964$ ,  $t = 6.309$ ) respectively, which supports  $H_2$ .

Hence there is a positive and significant impact of trust and commitment as dimensions of customer intimacy adoption on customer retention. Thus, the null hypotheses one and two were rejected and the alternate hypotheses were accepted. This entail that customer intimacy positively and significantly impacts customer retention. The reason is that the average customer will appreciate innovative and quality product, since customer intimacy is an extensive obligation to provide products to customers which epitomizes their brand and value customers' contentment through better-quality customer service levels. Our findings support the views of Osei (2017) which posits that customer intimacy strategy has positive influence on customer relationship management and overall organizational performance.

### **Conclusion and Recommendation**

This study investigated the impact of customer intimacy adoption on customer retention by using data collected from the bakery firms in Rivers State of Nigeria. The study validated the direct impact of customer intimacy adoption on customer retention and based on the findings, it was concluded that, customer intimacy adoption is a major predictor of customer retention of bakery firms in Rivers State of Nigeria.

Managers of bakery firms should encourage customer commitment in their organizations to have a vigorous relationship with customers in order to support the solid institution of customer intimacy strategy in organizations.

Further, managers in bakery firms should pay attention to the impact customer intimacy adoption has in boosting customer retention, and provide a patent routine connotation for the implementation of customer intimacy inside their organizations.

Management of bakery firms should concentrate and encourage organization-customer relationships, which are critical in the development of customer intimacy.

### **Suggestions for Future Research**

This study had a relatively small sample size which implies that the measurement instrument developed in this study need to be cross-validated in future research

Future research is also required to cross-validate the outcomes of this study across occupational settings and industry sectors.

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