



Creating Customer Trust through Customer Relationship Management in SMEs

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Abstract

Nowadays, companies cannot remain competitive merely through their product, but they have to gain sustainable competitive advantage from other sources. One of these sources is customer-based resources that consist of the assets that judge as valuable by customers. It may be created by giving superior services and customer relationship management to keep customers satisfied and repurchase the product in the future. It is not only important for big corporations, but also for SMEs. A small retail company, named Cathy's Glass Shop, is selected as the object of this study. As a retailer, the relationship is created through interaction between salespersons and customers. This study aims to explore the implementation of customer relationship management in Cathy's Glass Shop and investigate the causes and consequences of customer trust in salespersons.

Qualitative method was used to answer the research problems and data were collected from customers, salespersons, and management of Cathy's Glass Shop. This study utilized three data collection methods namely observations, salespersons, and in-depth interviews. Data were analyzed using descriptive statistics, content analysis, and triangulation.

It was found that salespersons' knowledge and interaction with customers had direct influence on customer trust. As a consequence, customer trust would influence customers' purchase decision and loyalty. Based on the findings, nine propositions were put forth. Therefore, SMEs in retail industry must equip the salespersons with appropriate product knowledge and skills to please their customers which at the end may influence customers' purchase intention and loyalty.

Keywords: *customer relationship management, trust, loyalty, salesperson, retail*

INTRODUCTION

There has been a shift in marketing strategies, from transactional to relationship marketing. One way to manage relationship is through salespeople. Customer service performed by salespersons is provided by retailers to enhance customers' shopping



experience and to provide additional value through the service given by salespersons (Utami, 2010). Salespersons of retail brands do not merely provide information on products, but also have to be aware or be able to suggest goods or services which are in line with customers' wants. They are also influence customer perception and trust toward company or brand.

This study intends to explore the implementation of customer relationship management, the causes of customer trust in salespersons and its consequences to the company. The object of this research is PT Mentari Tama Raya with its brand Cathy's Glass Shop. This company imports and resells crystal ware and glassware in several department stores targeted towards middle and upper classes customers.

LITERATURE REVIEW

Customer relationship management is a process through which customers are identified, customer knowledge is created, customer relationships are built, and the customers' perceptions toward the company and its products are formed (Peelen, 2005). A company can create competitive advantage through CRM as it is a unique and inimitable process. However, it needs to be continuously improved to enable the company to recognize customers' changing needs and wants (Alipour & Mohammadi, 2011).

In retail business, CRM is implemented through service encounter. Salespersons play an important role in creating a relationship between the buyer and seller (Cheron et al., 2009). A customers' trust toward salesperson is significantly influenced by the salespersons' operational competence, operational benevolence, and problem-solving orientation. This trust towards salespeople will in turn influence a customers' trust towards a companies' management policies and practices (Sirdeshmukh et al., 2002).

Service encounter is not only important for customers' initial interaction, but also for those who have had multiple interactions with the firm. This is due to the fact that each interaction will help in building up the company's image in the mind of the customer. Customers may create positive image of the company if they are satisfied and feel the multiple interactions are going well.

RESEARCH METHODOLOGY

This case study focused on a current phenomenon occurring in PT Mentari Tama Raya. Data were collected through observation, survey and in-depth interviews. Data



sources were a sample of customers, salespeople, director and assistant director of PT Mentari Tama Raya.

Observations were done to look at the interaction between salespersons and customers in several outlets. Questionnaires were distributed to all salespersons and 75 customers who selected using purposive sampling. Responses were examined using descriptive statistics and used as the basis in developing the interview protocol. A sample of customers, salespersons, director, and assistant director were interviewed further and the data were analyzed using content analysis and pattern matching. All the collected data were evaluated using triangulation to develop several propositions.

RESULTS

This study emphasized on the implementation of CRM through salespersons. It found service quality as one of the most influential factors in motivating customers to purchase the products of Cathy's Glass Shop. Customers were very important as they generated income for the company. Thus, the company needed to identify customers' characteristics to provide service accordingly to satisfy them. One way to satisfy the customers was through implementing CRM.

The relationship between PT Mentari Tama Raya and customers was created through its salespersons. Salespersons were equipped with proper training on product knowledge and customer service to prepare them for service encounters. All salespersons found that having a selling technique was essential as it might create customer satisfaction (68.8%) and increase customers' repurchase intention (56.3%). They believed that the customers would trust them if they have appropriate product knowledge and provide good customer service. Their detailed knowledge concerning the products also helped them in handling customers' questions and complaints.

Many customers felt that the interaction with salesperson enabled them to find the product they needed (54%) and get accurate product information (35.1%). The main characteristics of salespeople as expected by the customers were friendly (62.2%), polite (62.2%), knowledgeable (55.4%), and customer oriented (44.6%). The majority of respondents trusted the information given by the salespersons, mainly due to their detailed product knowledge (44.6%) and experience during previous service encounters (25.7%). Almost all respondents were satisfied by the service provided by the salesperson during the service encounter. Most of them experienced good service quality (27%), obtained the information needed to make purchase decision (25.7%), and were satisfied with the helpfulness of the salespeople (23%). All satisfied respondents were willing to



purchase products from Cathy's Glass Shop in the future and recommend this brand to others.

DISCUSSION

The company implements CRM mostly through its salespersons. As representatives of the firm, salespersons need to be trained on how to deal with customers and be equipped with product knowledge. A salesperson with appropriate product knowledge and a good personality is able to serve the customers better, make the interaction with customers more enjoyable, and influence customers to purchase the products offered. This finding is consistent to the study by Ahearne et al. (2007). Based on these findings, three propositions are offered:

P1: Salesperson's product knowledge influences the quality of service encounter

P2: Salesperson's personality influences the quality of service encounter

P3: Quality of service encounter influences customer's purchase decision

It is found that salespersons who demonstrate having proper product knowledge and better personality are trusted by customers. This study also discovers that prior experience during service encounter influences customer trust positively, which support the finding of dos Santos and Fernandes (2008). The interaction between a customer and a salesperson may influence the initial trust formation by customers and reinforce trust of existing or loyal customers. These findings support the outcomes of Guenzi (2002), Guenzi and Georges (2010), and Sirdeshmukh et al. (2002) that indicate that salesperson's expertise and service quality positively affect customer trust on salesperson. Two propositions are generated based on these findings:

P4: Salespersons' knowledge influences customer trust on salesperson

P5: Quality of service encounter influences customer trust on salesperson

This study finds customers are more likely to purchase the product if they trust the information given by the salesperson. From purchasing and consuming the product, customers may be able to conclude their level of satisfaction with the product. It is believed that customer satisfaction may lead to loyalty. The findings show that if customers are satisfied, they tend to make a purchase in future and recommend the products to others. Therefore, the following propositions are established:

P6: Customer trust on salesperson influences purchase decision

P7: Purchase decision influences customer satisfaction



P8: Customer satisfaction influences customer loyalty

Trust is the key to maintain long lasting relationship with the company or salesperson (Kenning, 2008). It is found that the higher the level of trust a customer has towards a salesperson, the more likely they are to purchase products offered by Cathy's Glass Shop in the future and recommend it to others. If the customers trust the company and its sales representatives, it is more likely that they will maintain a long-term relationship and loyal to the company. Loyal customers tend to purchase the products of a particular company and spread positive word of mouth to others. Based on this finding, the last proposition is:

P9: Customer trust on salesperson influences customer loyalty

CONCLUSION AND SUGGESTION FOR FUTURE STUDIES

Customer relationship management is beneficial not only for big companies, but also for small businesses. In retail business, CRM is implemented through the interaction between salespersons and customers. An effective implementation of CRM will help customers in making purchase decision and create trust toward the salespersons and company. The direct consequences of customer trust in salespersons are customers' purchase decision and customer loyalty.

This study has generated nine propositions that need to be further tested through quantitative research to validate findings. This study focuses mainly on the causes of customer trust in salespersons. Therefore, future studies can explore other sources of trust towards other aspects of a company. Since this study uses a B2C organization as its object, future research could examine the implementation of CRM in B2B companies. Other than this, future research could focus on the effects of CRM, and how CRM can set a company apart from its competitors in the customer's mind.



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