Relationship Marketing and Customer Loyalty in the Fast-Moving Consumer Goods (FMCG) Industry in Nairobi County

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ABSTRACT

Customer loyalty remains a major challenge for Fast-Moving Consumer Goods (FMCG) companies in Kenya. This study examined the influence of relationship marketing dimensions— trust, perceived value, switching cost, and empathy—on customer loyalty among FMCG firms in Nairobi County. Grounded on Social Exchange Theory, Relationship Marketing Theory, and Customer Relationship Management Theory, the study employed a descriptive research design. The target population comprised 794 marketing and public relations employees in 45 FMCG companies, with a stratified random sample of 267 respondents. Data were collected through self-administered questionnaires and analyzed using SPSS 24, applying both descriptive and inferential statistics at a 95% confidence level.

Results revealed that trust ($\beta = 0.595$, $p = 0.001$), switching cost ($\beta = 0.261$, $p = 0.001$), perceived value ($\beta = 0.210$, $p = 0.001$), and empathy ($\beta = 0.401$, $p = 0.001$) had a positive and significant influence on customer loyalty. The study concludes that relationship marketing significantly enhances loyalty in FMCG companies. It recommends that firms uphold high product and service quality to maintain trust, leverage financial incentives to reduce switching tendencies, and train employees in empathy and communication to improve customer experiences. Regulators should also periodically review policies to strengthen FMCG competitiveness and customer retention in Nairobi County.

INTRODUCTION

Customer loyalty is a critical determinant of success in the Fast-Moving Consumer Goods (FMCG) sector. In an intensely competitive market, loyalty ensures sustained market share, profitability, and business growth by fostering repeat purchases and reducing customer churn (Khairawati, 2020). Relationship marketing has emerged as a vital strategy to cultivate long-term bonds with customers, moving beyond transactional interactions to personalized engagement and after-sales service (Vilkaite-Vaitone & Skackauskiene, 2020).

Loyal customers provide numerous benefits, including increased revenue, reduced marketing and acquisition costs, and positive word-of-mouth promotion that enhances brand reputation (Milan et al., 2018). Factors influencing customer loyalty in FMCG companies include product quality, brand reputation, pricing strategy, convenience, service quality, and emotional connections formed through effective marketing campaigns (Agha et al., 2021).

Relationship marketing enhances loyalty by creating trust, emotional attachment, and tailored experiences along the customer journey. Loyal customers are more likely to purchase repeatedly, explore a broader range of products, and remain less price-sensitive, providing stable revenue streams (Galvão et al., 2018). However, FMCG companies face challenges such as dynamic consumer preferences, high price sensitivity, and the need for continuous innovation. Firms adopt strategies like customer segmentation, loyalty programs, targeted promotions, and feedback systems to strengthen retention and engagement (Park & Kim, 2019).

In this context, customer loyalty remains a pivotal driver of competitive advantage, and relationship marketing plays an essential role in sustaining it. FMCG companies that invest in customer-centric, trust-based, and adaptive marketing approaches are better positioned for long- term success in the evolving Kenyan market (Setiawati et al., 2019).

Statement of the Problem

Relationship marketing offers significant benefits to organizations, including enhanced market value, improved performance, and strengthened customer relationships (Baker, 2014). In today's dynamic business environment, characterized by highly volatile customer preferences, firms must go beyond transactional interactions to build deeper, long-term relationships. This approach enables organizations to anticipate and respond effectively to evolving market needs.

Despite its benefits, maintaining customer loyalty remains a major challenge for Fast-Moving Consumer Goods (FMCG) companies. In Kenya, FMCG firms are experiencing declining customer retention and loyalty, with customer referrals reportedly decreasing by 47% over the last decade. Furthermore, many loyal customers are switching to alternative brands, intensifying competition and threatening long-term profitability (KPMG, 2022).

Previous studies have examined the role of relationship marketing in various sectors. For instance, Kahora (2022) analyzed its impact on customer loyalty at Safaricom, Mwangi (2020) explored its influence on commercial banks' performance, and Kinoti and Kibeh (2022) studied its role in telecommunication firms. Similarly, Maina (2020) and Njagi (2021) assessed its effect in the banking and beauty sectors, respectively. However, these studies present contextual, conceptual, and methodological gaps, as few have focused on the FMCG sector in Nairobi County.

This study therefore addresses these gaps by investigating the influence of relationship marketing dimensions—trust, perceived value, switching cost, and empathy—on customer loyalty in FMCG companies in Nairobi County.

Research Objectives

The study sought to examine the influence of relationship marketing on customer loyalty in the Fast-Moving Consumer Goods (FMCG) industry in Nairobi County.

General Objective

To determine the effect of relationship marketing on customer loyalty in FMCG companies in Nairobi County.

Specific Objectives

1. To assess the influence of trust on customer loyalty in FMCG companies in Nairobi County.
2. To examine the influence of perceived value on customer loyalty in FMCG companies in Nairobi County.
3. To evaluate the influence of switching cost on customer loyalty in FMCG companies in Nairobi County.
4. To determine the influence of empathy on customer loyalty in FMCG companies in Nairobi Count

Research Hypotheses

HO1: Trust do not have a significant influence in FMCG industry in Nairobi County. HO2: Perceived Value do not have a significant influence in FMCG industry in Nairobi County.

HO3: Switching Cost do not have a significant influence in FMCG industry in Nairobi County.

SHO4: Empathy do not have a significant influence in FMCG industry in Nairobi County

Significance of the Study

This study provides value to multiple stakeholders:

1. **Management of FMCG Firms:**

The findings enable managers to make data-driven decisions in evaluating customer loyalty programs. Insights from the study can guide the development of strategic models that enhance customer retention and overall firm performance.

2. **FMCG Companies:**

The study identifies key challenges that affect the success of relationship marketing. The results provide practical guidance for designing and implementing customer loyalty strategies that improve competitiveness in the FMCG sector.

3. **Policy Makers:**

Findings inform policy formulation by highlighting the interventions needed to strengthen customer loyalty within FMCG companies. Policymakers can use these insights to create supportive regulatory frameworks for market stability.

4. **Academicians and Researchers:**

The study contributes to existing literature on relationship marketing and customer loyalty. It provides a foundation for future research and empirical studies in the FMCG sector and related fields.

Scope of the Study

The study focused on the influence of relationship marketing on customer loyalty in 45 FMCG companies in Nairobi County. It examined four key dimensions—trust, perceived value, switching cost, and empathy—as predictors of customer loyalty. The target respondents were marketing and public relations managers, and the study was conducted over a period of six months. The research was anchored on Social Exchange Theory, Relational Dialectics Theory, and Social Network Theory to provide a theoretical basis for the analysis.

Limitations of the Study

Some respondents were initially reluctant to participate due to confidentiality concerns. To mitigate this, the study assured respondents of anonymity, protected their personal information, and presented an official university authorization letter. This approach enhanced trust and encouraged voluntary participation, ensuring reliable data collection.

LITERATURE REVIEW INTRODUCTION

This section presents the theoretical foundation, empirical review, and conceptual framework guiding the study. It explores how relationship marketing dimensions—trust, perceived value, switching cost, and empathy—relate to customer loyalty in the FMCG industry.

Theoretical Review

1. **Social Exchange Theory (SET)**

Proposed by Homans in the 1950s, SET explains that relationships are built and sustained when perceived benefits outweigh costs. It emphasizes reciprocity, trust, and mutual value as key factors in long-term interactions (Scheepers & Ellemers, 2019). In marketing, SET suggests that customer loyalty is strengthened when firms deliver consistent value, incentives, and positive experiences (Liao et al., 2020).

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2. **Relational Dialectics Theory (RDT)**

Developed by Baxter and Montgomery, RDT posits that relationships are dynamic and characterized by opposing tensions, such as autonomy versus connection or predictability versus novelty (Cronin-Fisher & Parcell, 2019). In relationship marketing, businesses must balance personalization with efficiency and transparency with privacy to sustain customer loyalty (Hintz & Brown, 2020).

3. **Social Network Theory (SNT)**

Pioneered by Barnes and White, SNT views individuals as interconnected nodes within networks, where relationships and influence flow through ties and interactions (Soltis & Lepak, 2018). In FMCG marketing, leveraging social networks helps identify opinion leaders and stimulate word-of-mouth engagement, ultimately enhancing loyalty (Cote, 2019).

Anchor Theory: Social Exchange Theory

The study is anchored on **Social Exchange Theory (SET)**, introduced by Homans in the 1950s. SET posits that relationships are maintained when the perceived benefits outweigh the costs and when mutual value and trust exist between parties (Scheepers & Ellemers, 2019).

In the context of relationship marketing in FMCG companies:

Trust fosters ongoing relationships because customers expect consistent value.

Perceived Value reflects the benefit-cost assessment customers make.

Switching Cost represents the potential loss customers incur when leaving a brand.

Empathy enhances emotional satisfaction, encouraging loyalty.

Thus, SET provides the theoretical foundation for understanding how relationship marketing dimensions translate into customer loyalty in the FMCG sector.

Empirical Literature Review

Empirical studies have explored the relationship between relationship marketing and customer loyalty across different industries, highlighting key dimensions such as trust, perceived value, switching cost, and empathy.

Trust and Customer Loyalty

Trust is widely recognized as a fundamental driver of customer loyalty. Kahora (2022) found that trust significantly influences customer retention at Safaricom, where customers who perceive brands as reliable are more likely to remain loyal. Similarly, Maina (2020) demonstrated that trust enhances loyalty in the banking sector, emphasizing that consistent service delivery builds customer confidence.

Perceived Value and Customer Loyalty

Perceived value reflects the balance between the benefits customers receive and the costs they incur. Mwangi (2020) observed that banks with superior value propositions experienced higher customer loyalty. In the FMCG sector, Agha et al. (2021) noted that products offering better perceived value foster repeat purchases and reduce price sensitivity.

Switching Cost and Customer Loyalty

Switching cost discourages customers from leaving a brand due to financial, psychological, or time-related expenses. Kinoti and Kibeh (2022) reported that telecommunication firms with high switching costs experienced stronger customer retention. Similarly, studies in the FMCG industry indicate that loyalty programs and exclusive offers effectively raise switching costs, thus enhancing loyalty (KPMG, 2022).

Empathy and Customer Loyalty

Empathy, reflected in a firm's ability to understand and respond to customer needs, is a strong predictor of loyalty. Njagi (2021) found that service-oriented firms that train employees to communicate empathetically achieve higher customer satisfaction and long-term loyalty. In the FMCG context, personalized services and attentive customer care foster positive emotional bonds that enhance retention.

Expected Relationship

The conceptual framework posits that higher levels of trust**,** perceived value**,** and empathy**,** along with higher switching cost**,** will positively influence customer loyalty in FMCG companies.

Conversely, lower switching costs may reduce loyalty, as customers can easily move to competitors.

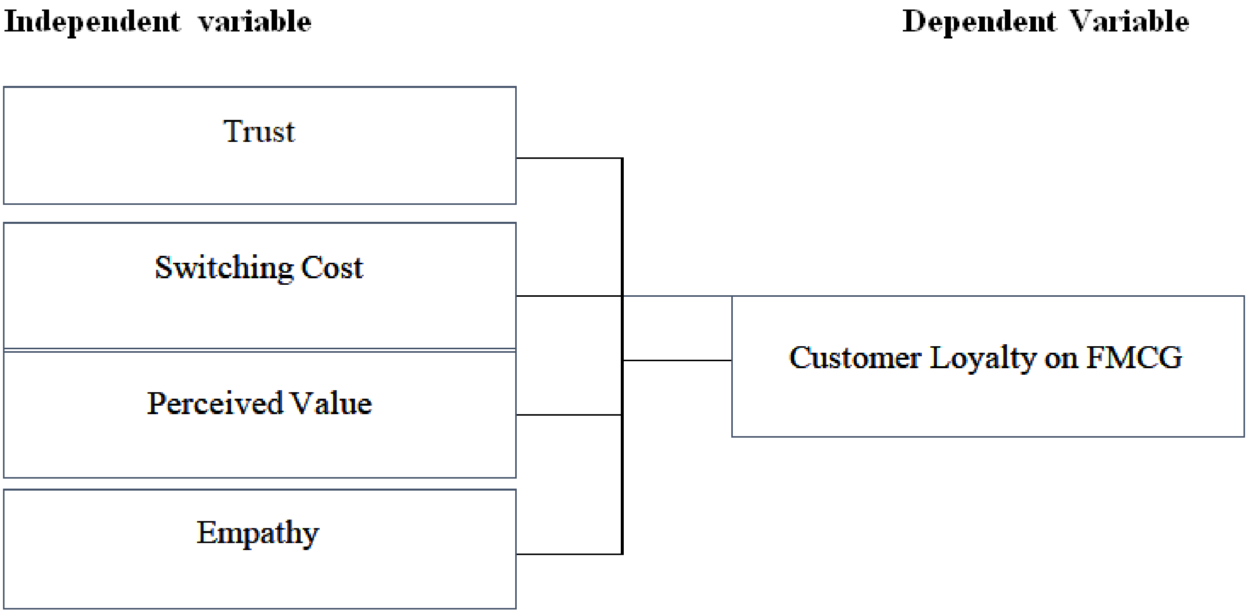

Figure 1.1: Conceptual Framework.

Relationship Summary:

1. Increased **Trust** → Greater Customer Loyalty
2. Higher **Perceived Value** → Greater Customer Loyalty
3. Higher **Switching Cost** → Greater Customer Loyalty
4. Greater **Empathy** → Greater Customer Loyalty

These relationships align with Social Exchange Theory, which suggests that customers maintain relationships when the perceived benefits outweigh the costs.

Research Gaps

While prior studies confirm that relationship marketing dimensions influence loyalty, most research in Kenya has focused on banking, telecommunication, and service sectors (Mwangi, 2020; Kahora, 2022; Njagi, 2021). Limited studies have examined FMCG companies, creating contextual and methodological gaps that this study addresses by investigating trust, perceived value, switching cost, and empathy as predictors of customer loyalty in Nairobi County.

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RESEARCH METHODOLOGY RESEARCH DESIGN

The study adopted a descriptive research design to investigate the effect of relationship marketing on customer loyalty in FMCG companies in Nairobi County. A descriptive approach was appropriate as it allowed the researcher to collect and analyze data without manipulating variables, answering the questions of "what," "how," and "why" regarding customer loyalty (Harris, 2019).

Target Population and Sampling

The study targeted 794 employees (Marketing, Public Relations, and Communication Officers) across 45 FMCG companies in Nairobi County (Deloitte, 2023). Using stratified random sampling, a sample of 267 respondents was drawn to ensure representativeness across seven product categories, including food & beverages, personal care, and household products.

Data Collection Instruments and Procedures

Primary data were collected using self-administered questionnaires containing both open and closed-ended questions. Questionnaires were preferred for their ability to gather comprehensive data efficiently (Saunders et al., 2009).

Pilot Testing, Validity, and Reliability

A pilot study involving 10% of the sample size was conducted to test the instrument. Validity was assessed through expert review, face validity, and construct validity using Kaiser-Meyer- Olkin (KMO) and Bartlett's tests, with thresholds of KMO ≥ 0.7 and $p < 0.05$**.** Reliability was tested using Cronbach's alpha, with coefficients **≥ 0.7** considered acceptable (Bolarinwa, 2015).

Data Analysis

Data were analyzed using SPSS version 23**.**

- Descriptive statistics**:** Mean, standard deviation, frequencies, and percentages.
- Inferential statistics**:** Correlation and multiple regression analyses were performed at 5% significance level ($p < 0.05$) to test the study hypotheses.

The regression model was specified as:

$$Y=\beta 0+\beta 1X1+\beta 2X2+\beta 3X3+\beta 4X4+\varepsilon Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon Y=\beta 0$$

$$+\beta 1X1+\beta 2X2+\beta 3X3+\beta 4X4+\varepsilon$$

Where:

- **Y** = Customer loyalty
- $\mathbf{X_1}$ = Trust, $\mathbf{X_2}$ = Switching cost, $\mathbf{X_3}$ = Perceived value, $\mathbf{X_4}$ = Empathy

Diagnostic Tests

Prior to regression, diagnostic tests were conducted to ensure model validity:

- Normality and linearity were checked through residual plots.
- Multicollinearity was assessed using Variance Inflation Factor (VIF).
- Autocorrelation was tested using the Durbin-Watson statistic, with a value close to 2 indicating no

autocorrelation (Duarte & Saraiva, 2019).

Ethical Considerations

The study adhered to established research ethics to ensure the integrity of the process and the protection of participants (Hudson et al., 2019). Key ethical principles observed included:

1. No Harm to Respondents – Participants were protected from any physical or psychological harm, with all risks minimized.

2. Voluntary Participation and Informed Consent – Respondents participated willingly after the study purpose, potential risks, and benefits were explained. Research authorization and a NACOSTI permit were presented to ensure credibility.

3. Confidentiality and Anonymity – Respondents' identities were not disclosed, and all data were handled exclusively for academic purposes. No personally identifiable information was linked to the responses.

4. Protection of Intellectual Property – All external sources and prior research were properly acknowledged and referenced.

These measures ensured that the study complied with ethical research standards and safeguarded the rights and privacy of all participants.

RESULTS AND DISCUSSION INTRODUCTION

This section presents the findings of the study and their discussion, organized around the four research objectives:

1. Influence of trust on customer loyalty

2. Influence of perceived value on customer loyalty

3. Influence of switching cost on customer loyalty

4. Influence of empathy on customer loyalty

Response Rate

Out of 267 questionnaires distributed**,** 239 were returned, representing an 89.5% response rate, which is considered highly reliable for analysis.

Validity and Reliability

- Construct validity was confirmed with KMO values ranging from 0.745 to 0.799 and Bartlett's test $p < 0.001$, indicating sampling adequacy.

- Reliability tests showed Cronbach's alpha values between 0.708 and 0.807, confirming that all constructs were reliable (Bujang et al., 2018).

Descriptive Statistics

1. **Trust**

Respondents generally agreed that FMCG brands delivered on promises and were committed to long-term relationships (Mean = 3.86–3.95). Trust emerged as a critical factor in maintaining loyalty through confidence and positive experiences.

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2. **Switching Cost**

Switching cost was high among respondents, with financial, emotional, and learning barriers averaging Mean = 3.99–4.04. This indicates that higher switching costs discourage customers from moving to competitors, aligning with Social Exchange Theory.

3. **Perceived Value**

Respondents confirmed that they remained loyal when they perceived greater benefits than costs, reflecting the importance of competitive pricing, quality, and customer satisfaction.

4. **Empathy**

Findings showed that personalized engagement, proactive support, and employee empathy foster strong emotional connections, which translate into higher loyalty.

Inferential Analysis

Multiple regression analysis revealed the following relationships with customer loyalty:

Table 1: Inferential Analysis

Variable	β	p-value	Significance
Trust	0.595	0.001	Significant
Switching Cost	0.261	0.001	Significant
Perceived Value	0.210	0.001	Significant
Empathy	0.401	0.001	Significant

CONCLUSION

This study examined the influence of relationship marketing dimensions—trust, perceived value, switching cost, and empathy—on customer loyalty in FMCG companies in Nairobi County. The findings revealed that all four dimensions positively and significantly affect customer loyalty, with trust being the strongest predictor, followed by empathy, switching cost, and perceived value.

The results align with Social Exchange Theory, which suggests that customers remain loyal when the perceived benefits of a relationship outweigh the costs. FMCG companies that build trust, deliver superior value, create emotional connections, and increase the cost of switching are more likely to retain loyal customers and achieve sustainable market performance.

RECOMMENDATIONS

1. **Enhance Trust and Transparency**

- FMCG companies should consistently deliver on product and service promises, maintain quality standards, and engage in transparent communication to strengthen customer trust.

2. **Increase Perceived Value**

- Firms should offer competitive pricing, high-quality products, and loyalty programs that provide tangible rewards to enhance customers’ perceived value.

3. **Leverage Switching Costs**

- Introduce loyalty programs, exclusive deals, and long-term incentives that make it less appealing for customers to switch to competitors.

4. **Foster Empathy and Customer Engagement**

- Train employees in customer service and communication skills to ensure personalized, empathetic interactions that build emotional loyalty.

5. **Policy and Regulatory Recommendations**

- Regulators should periodically review FMCG policies to promote fair competition while supporting initiatives that enhance customer loyalty and brand integrity.

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