Chapter 1

INTRODUCTION

Background of the study

The Premises

Bangladesh is a country where almost all the inputs for the flexible packaging industries are imported. The inputs are imported very frequently (usually monthly basis) and most of the inputs are regarded as a commodity by the Customers. The study will first try to understand general B2B marketing theory and the relevant knowledge will be applied to our field of interest.

Since the organizations came into being, the B2B commerce had started. The studies of B2B marketing had started since 1890, though it was in the level of individualized and experimental basis. The significant scientific contribution of B2B marketing theory has been made since the last 30-35 years. Since then B2B relationship marketing has undergone a vast change and gained significant focus from researchers. It has become an important branch of general marketing theory. B2B marketing has undergone a change from merely economic transaction to behavioral theories. Behavioral science has contributed a lot to B2B marketing theory to understand Inter-organisational buying situations.

According to Lynn Daniel, B2B marketing has the following realities. B2B marketing needs great services.

a) In B2B marketing there are much fewer customers and the value of each transaction is much higher than the B2C situations. Even if one customer is lost in B2B, it impacts the company very hard than in B2C where the marketer can afford to lose a few customers, without much impact.
in their balance sheet. Hence in B2B, customer service is very crucial to earn the loyalty of their customers.

b) In B2B 80/20 rule applies i.e. 80% of revenue is earned from 20% of the customers. Due to merger and acquisitions number of customers are becoming less and post-merger & acquisition, the company chooses the vendors for their services.

c) In B2B marketer needs to evaluate their relations with each customer continuously and design and provide great services to each customer continuously. The long term relationship with the customer should not give rise to any complacency to the marketer as the customer may switch over to competitors even without informing the existing supplier.

d) By assessing the issues and needs of the customer the marketer needs to fix their internal problem.

e) In B2B, the change in the product features is very small over years and Innovations are also very small, hence services and word of mouth becomes a very crucial factor.

f) Referral and Word of mouth play a very important role in locating new customers.

The market environment has become very competitive dynamic and complex the customers are well informed and have many choices. The customers have become more demanding due to the increase and fierce competitions. The marketer cannot afford to have the attitude of gaining new customers or making a foray in different new markets. Under the circumstances, the marketer has to understand that the key factors to succeed in the market is to develop and nurture long term sustainable relationship with the existing customers to gain loyalty and retention. They have to transform and gain loyalty from indifferent customers. The marketer has found difficulties to enjoy
a sustainable advantage in competitions by adding value features through superior technology, as this tangible value features can be copied by competitors Hence relationship-based marketing has become absolutely necessary as it is intangible and stronger and provide long term and sustainable competitive advantage.

Both manufacturing and service firms are finding it harder to establish sustainable technology-based advantages. To avoid commodity status, they must focus on strengthening the value-added features of their products. For firms that market to business customers to prosper, “the challenge is to determine what customers want and whether they are satisfied with the company, its products, and its service”. This means customers should be integrally involved (consulted) in the design, development, manufacture, and sales of products.

With relationship marketing, a firm can exploit the total product concept and maintain stronger advantages. According to Levitt, a generic product is a commodity; if customers feel a product is generic, they will buy solely on price. An expected product represents customers’ minimum expectations. To be more competitive, firms need augmented products, which offer customers more than they think is needed or have come to expect.

In the long run, competitors may copy tangible augmented product features. So, relationship marketing can provide a more intangible, but stronger, long-term customer benefit that may be difficult to match.

The importance of customer relationship building and marketing

Customer relationship management (CRM) is considered as the strongest and most significant business approach which aids a business entity to develop long term relationships with the end users. Relationship marketing is an important factor which helps in cultivating better relationships with the clients and it also aids in fostering customer attention towards business’s
products and services (Choudhury & Harrigan, 2014). Consequently, benefits for the business increases when the customer is able to depict their loyalty towards the products and services. Thus, customer relationship management is all about formulating good bond with the clients so that they can become loyal customers for the business. Appropriate relationships with the clients can be developed by giving them direct information that can cater to their specific interests and needs.

In this domain, it is essential for the entity to have direct communication with the clients to share all the necessary information about products and services. When a business implements effective relationship marketing, it becomes more profitable because it focuses chiefly on appealing to new customers (SalesForce, 2015). This helps them to understand their behavior, needs, and demands. There are numbers of reasons available for which the business is required to implement customer relationship strategy and a few are mentioned in this section. Word-of-mouth publicity is one of the major benefits that can be acquired by providing appropriate benefits to customers. It is also observed that clients are provided with a wide range of services, they always get satisfaction and as a result, it drives them to promote the services to other people. Customer relationship building is essential because that helps the organization to enhance the customer base which is a major criterion of upholding greater value in the market place. Along with this, better relations are also developed with the clients so that they can promote the services to other clients as well (Morgan, 2012). This is yet another source of attaining competitive advantage. When any company has a large customer base, it becomes more competent to another entity which also improves its market share. Moreover, any company which has a larger customer base is able to dominate other products and markets through its power.

However, the two most important components of customer relations are retention and loyalty. Loyal customers are valuable for the business as they provide a guarantee to the
organizations regarding continuous success and growth. They guarantee it through facilitating repeat purchase. Thus, it becomes important for the organization to ensure that customers are satisfied while they receive any sort of products and services (Selligent, 2014). Customer satisfaction also promotes brand value of the business; thus this reason leads the business to continuously emphasize on developing better relationships with the clients which thereby leads to loyalty and retention of the customers (Hennig-Thurau, Thorsten, Hansen, & Ursula, 2013). CRM is also integrated with the intake of feedback from the customers which also aids the business to improve the services. Therefore, clients should be provided appropriate opportunities for feedback as that will also strengthen the organization’s position. Along with this, it will also amend the brand reputation of the business in the external market place. Engaging customers in the business aspects help in acquiring greater competitive advantage; hence this helps the business to acquire loyalty from the customers. In business areas, customer engagement is essential because it makes them feel valuable. Satisfied customers are always beneficial for the business entity and most often this also drives the business to deliver top-quality services (TechOneStop, 2017). Thus, CRM is about understanding the customers and nurturing good relationships with them. The business should always respond positively towards the needs of the clients so that the customer base can be increased accordingly. In this domain, the focus should be laid on analyzing customer experience management which helps the business to analyze the perception of customers towards the brand. Hence, customer relationship management is an important aspect of marketing in which business implements new and diverse methods for the benefits of customers (Selligent, 2014).
Importance of customer retention and loyalty

The importance of customer loyalty and retention cannot be overstated especially in the saturated business entities. Customer loyalty aids the business to acquire the interest of other people who are not a part of the business through word of mouth publicity. With the help of customer loyalty, a business can reduce marketing cost because the potential customer always purchases products and services from the same entity (Hennig-Thurau et al., 2013). Thus, considering this, a business can adjust organizational resources in different areas (Clark, 2012). At the same time, it also minimizes service cost because the business does not have to invest many resources on customers. This is also crucial in terms of improving brand image especially when customers are satisfied. Customer loyalty not only provides monetary benefits but also it helps in providing numerous other advantages to the business entities. Customer loyalty depicts that business is performing well; hence this helps the investor to stay back with the company (Clark, 2012). This regulates the appropriate flow of resources in business activities and processes. At the same time, it aids in creating a competitive edge over the rivalries which is highly feasible to survive in the existing market place. Customer loyalty helps the business to acquire honest and quality feedback from the customers which aids in facilitating improvements in business services (Newbury, 2016). There should be appropriate communication between clients and business so that it can create trust factor among end users. Loyal customers are already convinced of the virtues of the company’s products; hence they do not need a pitch.

Moreover, loyal customers are more profitable for the business because they give better returns to the business entity. As per different research studies, it is being ascertained that engaged customers by 90% more frequently and they spend 60% more per transaction which indicates their loyalty towards the business products and services (Howells, 2013). Loyal customers always
remain with the same entity even in the time of change in price and demand for the product. With the help of engaged customers, the company can get quality feedback about the products and services and this can also be called as facilitating improvements in the business dimensions. Customers who provide feedback are often willing to give several benefits to the brand. Thus, this increases the business’s attention to modifications and improvements (Knillans, 2017). Customer loyalty is the result of an organization wherein it creates benefits for customers so that they will maintain or increase their purchase intensity from the organization. Similarly, customer loyalty refers to deeply held commitment which involves consistent purchased of products from the same entity all the time. Customers of the business should be retained so that at the time of crisis, they can help the business to recover the losses through releasing the inventory (KimGarst, 2017). There are many ways by which customers can be retained and such should be implemented as per the requirement of the product and services. Having an adequate customer base also help the business entity to grow and prosper more in the presence of numerous competitors. Thus, it is highly useful in acquiring sustainability and other benefits.

**Introduction to the flexible packaging industry of Bangladesh**

The packaging is considered as the process of enclosing or protecting products which are ready for distribution, storage, sale, and use (Prasad & Kochhar, 2014). In general terms, it is defined as a process of designing, evaluating and producing packages which preserve the products from damage and other problems (Palmatier, Scheer, Evans, & Arnold, 2008). The most important aspect of packaging is labeling in which the manufacturer is required to include all the necessary information about the product and the ingredients (Lam, Shankar, Erramilli, & Murthy, 2004). Labeling is one of the most important components that is focused on in the packaging industry. Packaging materials include plastics, glass, cardboards/papers, bricks, woods, metals and many
new technologies such as nano-plastics, silver foils, biodegradable plastics, and others. Flexible packaging is mainly used in food and beverage packaging industries and uses materials mainly polyethylene, polyester, nylon, and film foil laminations. They have been found to be resistant to the external environment once the food is packed or lower the chances of microbes in spoiling the food. They also provide a longer lifetime of the packaged food and beverage in comparison to normal packing materials.

The packaging industry of Bangladesh has contributed greatly in encouraging economic prosperity through generating employment opportunities. There are several activities in the business which needs a huge workforce; therefore this helps the industries to create more opportunities for social and economic growth. The industry in Bangladesh has not only improved the lifestyle of people but also it increased their spending capabilities and livelihood.

There are varied national occasions and events in Bangladesh which drives people to spend more resources on the packaging and other areas. During such times, demand raises for the packaging industry as people desire to have diverse products and services (Palmatier et al., 2008). Over the last twenty years, The Bangladesh packaging industry has seen its development by the strong export of readymade garments (Chan Chao, 2018). Thus the industries have relatively grown in terms of technology, paper, and board based as well as in plastic films and appliances. At the national level, Bangladesh lacks a strong demand for packaging as compared to other countries. This happens because there are various industries in different countries which have a greater demand for packaging requirements. Along with this, at a certain level, Bangladesh lacks in technological grounds; therefore this reduces the chances of providing innovative services. Along with this, Bangladesh also lacks in use of technical products in packaging areas; hence it also reduces the demand side. Plastic is one of the most used engineered materials in Bangladesh;
hence this is the reason it is called as the most important industrial sectors contribution to national GDP is driven by 18% from the manufacturing industry as of 2017 (Chao, 2018). Furthermore, the packaging industry also comprised 35% of all types of the manufacturing industry in Bangladesh in 2011 (International Trade Centre, 2011). Furthermore, there are various major industries that directly drives the packaging industry in Bangladesh, fisheries and poultry, garments, and fruits and vegetables are the most important. 40% of the total productions of fishes, shrimps, fruits and vegetables are exported (Chao, 2018). In addition, low per capita consumption of packaging industry is another driver of the intensive growth of packaging industry in Bangladesh.

However, this will also save resources of the industries. Plastic is also used in the country for the purpose of recycling, it so that product packages can be developed (Bari, Hassan, & Haque, 2012; Matter, Ahsan, Marbach, & Zurbrügg, 2015). This helps the packaging industry of Bangladesh to contribute to environmental protection. Consequently, in Asia, sales of packaging are concentrated which also accounts for around 36% of the total in value terms globally by the end of FY2013 (Otsuka & Shiraishi, 2014). However, the sales of packaging products from Bangladesh in Asia increased by 27% from 2013 to 2016 (Chan Chao, 2018). Eastern Europe was also considered as the 4th largest consumer of packaging products from Bangladesh with a global share of 6% by 2013. Along with this, the packaging industry of Bangladesh has been trying to implement new methods so that the service dimensions can hold a competitive position. However, as compared to the global level, the country still needs to facilitate greater development to enhance the service provision. Packaging industry of Bangladesh on the other a hand lacks in the supporting facilities, expertise and skills in testing different materials. Packaging industry of Bangladesh has competitive labor force which helps in managing products delivery the in convenient manner (Hadjikhani & LaPlaca, 2013). The packaging industry has bonded facilities for exports packaging
which overcome the low demand of processed food packaging. On the other hand, packaging 
industry of Bangladesh is very small in some domains; hence there are varied subsectors associated 
for the same. It also has strong dependence on readymade garments which sometimes affects its 
demand for packaging.

**Problem statement**

The research study present study has been prepared for the purpose of analyzing the link 
between customer relationship and customer retention in the packaging industry. Customer 
relationship management is an essential approach for the business entities because it helps in 
enhancing demand for the services. Along with this, the focus is being laid on the packaging 
industry of Bangladesh which has a high scope of demand for different packaging systems. 
However, in the recent years, it has been seen that B2B businesses in Bangladesh, specifically 
have weakened due to lack in experience and lack of appropriate strategies by the management 
and the administrators of the packaging industries. Furthermore, neighboring countries also have 
high efficient labors for packaging industries and the customer base has been specifically shifting 
from Bangladesh to neighboring countries. Thus, the research study has been focusing on the 
importance of customer relationship management for the business and how it creates value for the 
organization in different contexts. At the same time, stating about the research gap, it can be said 
that earlier varied studies have been made on the importance of customer relationship management 
and customer retention; however, no studies have been yet made in the realm of packaging industry 
of Bangladesh. This in this context researcher has been highlighting all the facets which should be 
considered for the purpose of retaining the clients for a longer time span.
**Research questions**

Research questions are being developed in the research study to assess different sections of the scope of the study and hence data collection can be done accordingly. At the same time, it is also crucial for the study to derive answers for the defined problem statement. Research questions will help in collecting appropriate and quality data about the subject matter which will further be used in depicting research outcomes.

- What is the importance of the customer relationship aspect for a B2B packaging business?
- What are the benefits associated with customer retention and loyalty to B2B businesses?
- What are the factors that affect customer relationship management in B2B businesses?
- What are the challenges associated with customer retention and loyalty in B2B segment in the B2B packaging industry of Bangladesh?

**Aim and Objectives**

The main aim of the present research study is to assess the impact of good relationship and behavior between businesses and customers with respect to customer retention and loyalty in B2B (business to business) flexible packaging industry in Bangladesh.

Objectives of the study include:

- To ascertain the importance of customer relationship building as a marketing concept
- To analyze the significance of customer retention and loyalty in B2B packaging businesses
- To focus upon the flexible packaging industry of Bangladesh in understanding the importance of customer retention and loyalty
- To determine the factors affecting customer relationship management in B2B packaging businesses
- To identify the impact of customer relationship management (CRM) on business performance in the packaging industry
- To ascertain the challenges associated with customer retention and loyalty in B2B segment in the packaging industry
Research Hypothesis

Based on the extensive literature review and on the basis of the researcher’s own observations, the following variables have been identified as most important to gain and sustain Loyalty from customers.

a) Trust  
b) Commitment  
c) Salesperson-Customer bonding  
d) Cooperation of Salesperson

In order to conduct the study, a conceptual hypothesis was chosen for the above four variables with respect to impacting customer loyalty. The hypotheses are;

1. TC = There is no difference in the true mean and comparison value for Trust (T) to Commitment (C).
2. TCP = There is no difference in the true mean and comparison value for Trust (T) to Cooperation (CP).
3. CPC = There is no difference in the true mean and comparison value for Cooperation (CP) to Commitment (C).
4. CPL = There is no difference in the true mean and comparison value for Cooperation (CP) to Loyalty (L).
5. BC = There is no difference in the true mean and comparison value for Bonding (B) to Commitment (C).
6. BL = There is no difference in the true mean and comparison value for Bonding (B) to Loyalty (L).
7. CL = There is no difference in the true mean and comparison value for Commitment (C) to Loyalty (L).
The motivation of the study

We have chosen Bangladesh as a country of our study. The researcher is already working in this market since last 25 years, hence it is felt that this research should be undertaken for both the customers in Bangladesh and the suppliers. The literature review also suggests that cross-cultural marketing theories must be studied to validate the relationship marketing theory. So on the basis of the researcher experience in Bangladesh and differences in culture, Bangladesh has been chosen as a country for the study.

The major aspect which motivated the researcher to conduct a research study to analyze the factors that result in customer retention and loyalty in B2B businesses of Flexible packaging industries of Bangladesh. On this specific topic, no study has been done in Bangladesh, which is also a research gap. On the other hand, the Flexible packaging industry of Bangladesh has been growing rapidly; therefore this enhances the availability of data in all contexts.

1.8 Chapterization plan

Chapter 1: Introduction: The research study has been developed in a systematic format in which the first chapter is about introduction wherein the researcher has stated about the background information. Aim, objectives and research questions are also stated in the study along with the brief discussion of the problem statement.

Chapter 2: Literature Review: The second chapter is about a literature review which aims to establish the theoretical body of knowledge through secondary sources. In this subsequent chapter, several factors are being mentioned which affect customer relationship management and afterward its impact on business performance is also mentioned.
Chapter 3: Research Methodology: Next chapter is about research methodology wherein discussion on the research methods and techniques which are selected to reach towards the research outcomes has been described. This chapter elaborates upon the research paradigm, approaches, methods, strategies, and data collection techniques adopted in this study.

Chapter 4: Data Analysis: In this chapter, the data collected were statistically analyzed and the results and their interpretations have been presented. In addition, this chapter also helped in addressing the research hypotheses and the main aim of the study. Subsequently, the findings have been discussed with respect to the constructs studied in this research.

Chapter 5: Conclusions: The final chapter of the research study presented the overall conclusions of the study with respect to the research questions defined at the start of the study, along with the implications from the findings of the data analysis. In addition, the chapter also included recommendations and limitations of the study, along with the future scope of the study.