

# Developing Customer-Based Marketing Strategies for Sustainable Business Growth

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## Abstract

This study aims to examine the role of customer-based marketing strategies in promoting sustainable business growth. In today's competitive and customer-driven business environment, firms are increasingly required to focus on long-term value creation rather than short-term transactional outcomes. Using a quantitative research design, data were collected from 100 small and medium-sized enterprises (SMEs) through a structured questionnaire. The data were analyzed using Structural Equation Modeling (SEM) to test the relationship between customer-based marketing strategies and sustainable business growth. The results reveal that customer-based marketing strategies have a significant and positive effect on sustainable business growth. Firms that emphasize customer orientation, relationship marketing, and personalized engagement are more likely to achieve higher levels of customer retention, stable revenue growth, and long-term competitiveness. The findings also indicate that customer-based marketing strategies explain a substantial proportion of the variance in sustainable business growth, highlighting their strategic importance for SMEs operating in dynamic markets. This study contributes to the marketing literature by providing empirical evidence on the effectiveness of customer-centered strategies in supporting business sustainability. Practically, the findings offer valuable insights for managers and policymakers in designing marketing strategies that prioritize customer value and long-term growth.

**Keywords:** Customer-Based Marketing Strategy; Customer Orientation; Relationship Marketing; Sustainable Business Growth; Small and Medium-Sized Enterprises

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2nd International Conference on Islamic Community Studies (ICICS)

Theme: History of Malay Civilisation and Islamic Human Capacity and Halal Hub in the Globalization Era

<https://proceeding.pancabudi.ac.id/index.php/ICIE/index>

## Introduction

In an increasingly competitive and dynamic business environment, companies are required not only to achieve short-term financial performance but also to ensure long-term and sustainable business growth. Rapid technological advancements, digital transformation, and evolving consumer behavior have significantly changed the way firms design and implement their marketing strategies. Customers are no longer viewed merely as transaction partners but as strategic assets whose value extends beyond single purchases. Consequently, customer-based marketing strategies have emerged as a critical approach for organizations seeking to build sustainable competitive advantage and long-term business growth.

Sustainable business growth emphasizes the ability of firms to continuously create economic value while maintaining strong relationships with customers and adapting to changing market conditions. Kotler and Keller (2016) argue that modern marketing focuses on delivering superior customer value and fostering long-term customer relationships rather than merely maximizing sales volume. In this context, customer-based marketing strategies prioritize understanding customer needs, preferences, and experiences, enabling firms to design offerings that enhance customer satisfaction, loyalty, and lifetime value. These outcomes are essential drivers of sustainable business performance.

Previous studies have consistently highlighted the importance of customer orientation in achieving superior marketing and business outcomes. Payne and Frow (2005) emphasize that customer-based marketing, particularly through customer relationship management (CRM), allows firms to manage interactions with customers more effectively and develop personalized value propositions. By integrating customer information across multiple touchpoints, firms can strengthen relationships and improve customer retention, which in turn supports long-term growth and profitability.

Empirical research by Rust, Zeithaml, and Lemon (2004) demonstrates that investments in customer equity comprising value equity, brand equity, and relationship equity have a significant positive impact on firm performance. Customer equity reflects the total lifetime value of a firm's customer base and serves as a key indicator of sustainable growth. Firms that adopt customer-based marketing strategies are better positioned to enhance customer equity by delivering consistent value and cultivating strong emotional and relational bonds with customers.

Furthermore, relationship marketing theory provides a strong foundation for customer-based marketing strategies. Morgan and Hunt (1994) propose that trust and commitment are central to maintaining successful long-term relationships between firms and customers. Customer-based marketing strategies foster trust through transparent communication, reliable service quality, and relevant offerings, thereby increasing customer commitment and loyalty. Loyal customers not only generate repeat purchases but also reduce marketing costs and contribute to positive word-of-mouth, reinforcing sustainable business growth.

With the increasing availability of customer data, data-driven marketing has become an integral component of customer-based strategies. Wedel and Kannan (2016) highlight the role of marketing analytics in enabling firms to better understand customer behavior and preferences in real time. The use of customer analytics facilitates more accurate market segmentation, targeted marketing actions, and personalized customer experiences. These capabilities enhance marketing effectiveness and strengthen customer relationships, ultimately supporting sustainable business development.

In addition, Homburg, Jozic, and Kuehnl (2017) find that a strong customer orientation positively influences marketing innovation and competitive advantage. Firms that consistently integrate customer insights into strategic decision-making are more capable of adapting to market changes and developing innovative solutions that meet evolving customer needs. This adaptability is crucial for sustaining business growth in highly volatile and competitive markets.

Despite the growing body of literature emphasizing the benefits of customer-based marketing strategies, gaps remain in understanding how these strategies can be systematically

developed and implemented to support sustainable business growth across different organizational contexts. Many firms continue to struggle with translating customer insights into actionable marketing strategies that deliver long-term value. Therefore, this study aims to examine the development of customer-based marketing strategies and their role in fostering sustainable business growth, contributing both theoretical insights and practical implications for managers and policymakers.

## **Literature Review**

### **2.1 Customer-Based Marketing Strategy**

Customer-based marketing strategy refers to a strategic approach that places customers at the center of marketing decision-making processes. This strategy emphasizes understanding customer needs, preferences, behaviors, and experiences to create superior value and long-term relationships. According to Kotler and Keller (2016), customer-based marketing focuses on delivering value that meets or exceeds customer expectations, thereby enhancing satisfaction and loyalty. Rather than concentrating solely on product features or sales transactions, firms adopting this strategy prioritize customer value creation as a foundation for sustainable growth.

Several studies highlight that customer-based marketing strategies enable firms to develop more effective segmentation, targeting, and positioning. Payne and Frow (2005) argue that by leveraging customer data and relationship management systems, companies can tailor their offerings to specific customer segments, leading to improved engagement and retention. This personalization enhances perceived value and strengthens emotional bonds between customers and brands, which are critical in competitive markets.

### **2.2 Customer Orientation and Relationship Marketing**

Customer orientation is a core element of customer-based marketing strategies. Narver and Slater (1990) define customer orientation as an organizational culture that prioritizes understanding and satisfying customer needs to achieve superior performance. Empirical evidence suggests that firms with strong customer orientation tend to outperform competitors in terms of customer satisfaction, loyalty, and financial outcomes.

Relationship marketing theory further supports the importance of customer-based strategies. Morgan and Hunt (1994) propose that trust and commitment are key mediating variables in successful long-term relationships between firms and customers. Customer-based marketing strategies foster trust through consistent service quality, transparent communication, and reliable value delivery. As trust and commitment increase, customers are more likely to maintain long-term relationships, engage in repeat purchases, and recommend the firm to others, contributing to sustainable business growth.

### **2.3 Customer Equity and Business Performance**

Customer equity plays a crucial role in linking customer-based marketing strategies to sustainable business growth. Rust, Zeithaml, and Lemon (2004) define customer equity as the total lifetime value of a firm's customer base, encompassing value equity, brand equity, and relationship equity. Research indicates that firms focusing on customer equity management achieve higher profitability and long-term performance.

Customer-based marketing strategies directly influence customer equity by enhancing customer experiences and strengthening brand relationships. Verhoef, Reinartz, and Krafft (2010) find that relationship investments, such as loyalty programs and personalized communication, significantly increase customer lifetime value. Consequently, customer equity serves as a strategic metric for assessing the effectiveness of customer-based marketing initiatives and their contribution to sustainable growth.

## 2.4 Data-Driven Marketing and Customer Analytics

Advancements in digital technology have transformed customer-based marketing through the use of data-driven approaches. Wedel and Kannan (2016) emphasize that customer analytics enable firms to capture, analyze, and interpret large volumes of customer data to support marketing decision-making. Data-driven marketing allows firms to predict customer behavior, personalize marketing messages, and optimize customer journeys across multiple channels.

Studies show that firms utilizing customer analytics achieve higher marketing efficiency and effectiveness. Kumar et al. (2013) demonstrate that data-driven customer management enhances customer engagement and long-term value creation. By integrating analytics into customer-based marketing strategies, firms can respond more quickly to market changes and deliver relevant value propositions, which are essential for sustaining business growth in dynamic environments.

## 2.5 Customer-Based Marketing and Sustainable Business Growth

Sustainable business growth refers to a firm's ability to maintain long-term performance while adapting to environmental, social, and market changes. Homburg, Jozić, and Kuehnl (2017) find that customer orientation positively influences innovation capability and competitive advantage, both of which are critical drivers of sustainable growth. Firms that actively incorporate customer feedback into strategy development are better positioned to innovate and remain competitive over time.

Moreover, studies by Reichheld and Sasser (1990) suggest that increasing customer retention rates leads to significant improvements in profitability and long-term growth. Customer-based marketing strategies contribute to sustainability by reducing customer churn, lowering acquisition costs, and stabilizing revenue streams. Thus, the literature consistently supports the notion that customer-based marketing strategies are essential for achieving sustainable business growth.

## Research Methodology

### 3.1 Research Design

This study adopts a quantitative research approach using a cross-sectional survey design to examine the relationship between customer-based marketing strategies and sustainable business growth. A quantitative approach is considered appropriate as it allows for the empirical testing of relationships among key constructs and enables generalization of findings across organizations. The study is explanatory in nature, aiming to identify the influence of customer-based marketing strategies on sustainable business growth through customer-related outcomes.

### 3.2 Population and Sample

The population of this study consists of small and medium-sized enterprises (SMEs) operating in the service and trade sectors. SMEs are selected due to their increasing reliance on customer-based marketing strategies to remain competitive in dynamic markets. The sample is determined using a purposive sampling technique, with criteria including firms that have been operating for at least three years and actively engage in marketing activities targeting customers. Data are collected from business owners, managers, or marketing decision-makers who possess sufficient knowledge of the firm's marketing strategies and performance.

A total of 100 responden questionnaires are distributed, and 100 responden valid responses are used for data analysis. The sample size meets the minimum requirements for multivariate analysis and ensures adequate statistical power.

### 3.3 Data Collection Method

Primary data are collected through a structured questionnaire distributed either online or in person. The questionnaire is designed based on validated measurement scales adapted from previous studies to ensure content validity. Respondents are asked to indicate their level of

agreement with each statement using a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). Prior to the main survey, a pilot test is conducted to assess the clarity and reliability of the instrument.

### 3.4 Measurement of Variables

Customer-based marketing strategy is measured through several dimensions, including customer orientation, relationship marketing practices, customer engagement, and personalization. These indicators are adapted from established scales developed by Narver and Slater (1990), Morgan and Hunt (1994), and Payne and Frow (2005).

Sustainable business growth is measured using both financial and non-financial indicators, such as sales growth, market share growth, customer retention, and long-term profitability. Measurement items are adapted from prior studies by Rust et al. (2004) and Homburg et al. (2017).

Control variables, including firm size, firm age, and industry type, are incorporated to minimize potential bias and enhance the robustness of the analysis.

### 3.5 Data Analysis Technique

Data analysis is conducted using Structural Equation Modeling (SEM) to examine the relationships between customer-based marketing strategies and sustainable business growth. SEM is chosen because it allows simultaneous testing of multiple relationships and accounts for measurement errors. Prior to hypothesis testing, validity and reliability tests are performed, including construct validity, convergent validity, discriminant validity, and internal consistency reliability using Cronbach's alpha and composite reliability.

Model fit is assessed using several goodness-of-fit indices, such as the Chi-square statistic, Comparative Fit Index (CFI), Tucker-Lewis Index (TLI), and Root Mean Square Error of Approximation (RMSEA). Hypotheses are tested based on path coefficients and significance levels.

## Results

### 4.1 Respondent Profile

A total of 100 valid questionnaires were collected and analyzed in this study. The respondents consisted of business owners and managers who are directly involved in marketing decision-making. Based on firm characteristics, most respondents represented small and medium-sized enterprises that have been operating for more than three years.

**Table 1.** Respondent Characteristics

Characteristics	Category	Frequency	Percentage
Gender	Male	58	58%
	Female	42	42%
Firm Age	3–5 years	34	34%
	6–10 years	46	46%
	>10 years	20	20%
Firm Size	Small	62	62%
	Medium	38	38%

### 4.2 Descriptive Statistics

Descriptive analysis was conducted to examine respondents' perceptions of customer-based marketing strategies and sustainable business growth.

**Table 2.** Descriptive Statistics of Research Variables

Variable	Mean	Standard Deviation
Customer-Based Marketing Strategy	4.12	0.56
Sustainable Business Growth	4.05	0.61

The mean values indicate that respondents generally perceive the implementation of customer-based marketing strategies and sustainable business growth as relatively high.

#### 4.3 Validity and Reliability Test

Construct validity and reliability were assessed prior to hypothesis testing. All indicators demonstrated acceptable factor loadings above 0.60. Cronbach's alpha and composite reliability values exceeded the recommended threshold of 0.70, indicating good internal consistency.

**Table 3.** Validity and Reliability Results

Variable	Cronbach's Alpha	Composite Reliability	AVE
Customer-Based Marketing Strategy	0.89	0.92	0.68
Sustainable Business Growth	0.87	0.90	0.65

These results confirm that all constructs are reliable and valid for further analysis.

#### 4.4 Structural Model Analysis

Structural Equation Modeling was employed to examine the relationship between customer-based marketing strategies and sustainable business growth.

**Table 4.** Hypothesis Testing Results

Hypothesis	Path	Path Coefficient ( $\beta$ )	t-value	p-value	Result
H1	Customer-Based Marketing Strategy → Sustainable Business Growth	0.67	9.45	0.000	Supported

The path coefficient ( $\beta = 0.67$ ) indicates a strong positive relationship between customer-based marketing strategies and sustainable business growth. The t-value exceeds the critical value of 1.96, and the p-value is below 0.05, confirming statistical significance.

#### 4.5 Coefficient of Determination ( $R^2$ )

The coefficient of determination ( $R^2$ ) was used to evaluate the explanatory power of the model.

**Table 5.**  $R^2$  Value

Endogenous Variable	$R^2$
Sustainable Business Growth	0.45

The  $R^2$  value of 0.45 suggests that 45% of the variance in sustainable business growth can be explained by customer-based marketing strategies, while the remaining 55% is influenced by other factors not included in the model.

## Conclusion

This study examines the role of customer-based marketing strategies in supporting sustainable business growth using a sample of 100 respondents from small and medium-sized enterprises. The findings provide empirical evidence that customer-based marketing strategies have a significant and positive impact on sustainable business growth. Firms that emphasize customer orientation, relationship marketing, and personalized engagement are more likely to achieve long-term performance improvements, including higher customer retention, stable revenue growth, and enhanced competitive advantage.

The results indicate that customer-based marketing strategies explain a substantial proportion of variance in sustainable business growth, highlighting their strategic importance in contemporary business environments. By placing customers at the center of marketing decision-making, firms are better able to understand evolving customer needs, deliver superior value, and build long-term relationships that support business sustainability.

Furthermore, this study reinforces existing marketing theories by confirming that customer-focused approaches are not only beneficial for short-term outcomes but also play a critical role in ensuring long-term business viability. For small and medium-sized enterprises, adopting customer-based marketing strategies represents an effective pathway to maintaining competitiveness in increasingly dynamic and customer-driven markets.

Despite its contributions, this study is limited by its cross-sectional design and sample size, which may restrict the generalizability of the findings. Future research is encouraged to incorporate longitudinal data, additional explanatory variables, and diverse industry contexts to provide a more comprehensive understanding of how customer-based marketing strategies influence sustainable business growth over time. The study concludes that developing and implementing customer-based marketing strategies is essential for firms seeking sustainable business growth and long-term success.

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