
Relationship Marketing : A Bridge Through Troubled Waters

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Abstract

The paper discusses the evolution of relationship marketing approach to marketing and highlight the importance of this approach in today's highly competitive world . The thoughts of various management thinkers on relationship marketing approach have been also incorporated along with the recent attempts to create a platform for the implementation of Relationship Marketing Philosophy. The present paper also traces out some of the impediments that a modern marketer has to face in its path to implement relationship marketing. Various relationship-building tools have been also highlighted to provide an overview of the application of this philosophy in the modern business organization. In the end the paper envisages as to how relationship marketing tries to make marketing work in today's complexities by removing marketing imperfections.

The Evolution of Relationship Marketing (R.M)

The business environment of the last decade has seen a shift in firms' emphasis away from engaging new customers, towards nurturing and retaining those that they currently have. In times past, knowledge of customers as individuals brought honor to vendors and customers alike and made sales. It was a matter of buying-and- selling activities being conducted amid mutual respect. But this approach mostly went away with the rise of mass production and mass marketing. However, with the aid of sophisticated new information technologies, relationships are said to be back in.

RM is based upon the premise that it makes economic sense to satisfy and retain customers as the strength and duration of the relationship is directly proportional to the resultant profitability. This contemporary interest in maintaining customers is reforming marketing with an emphasis on the creation of value and the building of relationships. This new marketing refocusing has been explored in consumer

services marketing The thrust has been to examine different aspects of customer satisfaction, relationship strength, relationship longevity and customer relationship profitability. The acceptance of relationship marketing is based upon the emerging body of research, which indicates how customer retention leads to increased profitability . Moreover, if a company builds and maintains good relationships with customers it cannot be easily replaced by the competitors and therefore provides for a sustained competitive advantage.

After the post-industrial or service economy, most of the developed world is now entering a new, information economy. Perhaps it was natural, then, that the new developments first appeared in the

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maturing service industries of the 1970s and 1980s. Berry *et al.* (1983) surveyed the factors and developments in service marketing that later gave rise to RM. These factors include the combined impact of low growth rates and deregulation, resulting in **"everyone getting into everyone else's business"**. This naturally meant increased competition.

According to Berry *et al.* (1983) a customer relationship is best established around a "core service", which ideally attracts new customers through its "need-meeting character". However, creating customer loyalty among the old customers is one of the main goals of RM. The authors also mention "frequent flyer" programmes and other incentive programmes intended to encourage customer loyalty by rewarding it. Finally, Berry *et al.* (1983) define internal marketing as a "pivotal relationship marketing strategy", where employees are seen as customers inside the corporations.

At the same time, Gronroos (1990) developed several new concepts in service marketing, which were later incorporated as part of the so-called Nordic School of Services. Gronroos also shows how one of the central characteristics of service marketing gave rise to the notion of RM: in service marketing there is often no separation between production, delivery, and consumption, thus the buyer-seller interaction must be considered as part of marketing's task. And this task can only be fulfilled in a relationship with the customer.

SOME POPULAR DEFINITIONS

Relationship marketing refers to all marketing

The **Figure 1** reveals the various dimensions of the concept of "transactions" and that of "relationship"

	Transaction	Relationship
Objective	To make a sale (sale is end result and Measure of success Customer needs satisfaction (customer buys values)	To create a customer (sale is beginning and relationship) Customer integration (interactive value generation)
Customer understanding	Anonymous customers Independent buyer and seller	Well-known customer Interdependent buyer and seller
Marketers task and performance criteria	Assessment on the basis of products and prices Focus on gaining new customers	Assessment on the basis of problem-solving competence. Focus on value enhancing of existing customers
Core aspects of exchange	Focus on products Sale as a conquest Discreet event (episodic perspective) Monologue to be aggregated customer base	Focus on service Sale as an agreement Continuing process (historic holistic perspective) Individualized dialogue

Figure 1: Transaction and Relationship

activities directed towards *establishing, developing and maintaining* successful relational exchanges (Bennett, 1996; Morgan and Hunt, 1994; Hunt, 1997; Mattsson, 1997).

RM is to identify and *establish, maintain and enhance* and when necessary also to *terminate* relationships with customers and other stakeholders, at a *profit*, so that the objectives of all parties are met, and that this is done by a *mutual exchange* and fulfilment of *promises* (Gronroos, 1994; in Mattsson, 1997).

Relationship Marketing can be viewed as the *building and maintenance* of *networks* and *interactive* relationships between the supplier and the customer, often with *long-term* implications. As a consequence marketing becomes first and foremost relationship marketing (Gummesson, 1990).

Shift from Transaction Marketing to Relationship Marketing

Since the 1960s the marketing mix management approach, with its 4P model, has dominated the marketing literature and marketing research and practice. Academics and practitioners alike have been so preoccupied with this approach that it long ago achieved a paradigmatic position. Sometimes the marketing mix is called a model of marketing only. However, it has had, and in many situations still has, such a profound influence on the marketing thought of academics and practitioners as well as on the directions of marketing research and on the organization and implementation of marketing in practice that it is better described as a paradigm, and moreover as the dominating marketing paradigm of the last decades.

The underlying rational theme of transaction marketing (TM) is "control of consumers' minds based on objective knowledge about them derived from research and database recordings of their attributes and purchases". This objective information is often used to fashion consumer behavior models used to predict marketplace outcomes. By "objectifying" consumers into "cause and effect" models, little allowance is made for consumers' self-determination. In effect, they are simply seen as stimulus-response automatons. The curious thing about all this is that the objectivity of these models often are adulterated by consumers' subjective self-reports made in both scientific and non-scientific samplings, as well as from interviews and focus groups. The purpose of most consumer research is to develop the profile of the "average" consumer within some usually preconceived set of parameters. With profiles of "average" consumers in hand, marketers proceed to develop "average-style" messages, usually in the form of monologues focused on product features and benefits which commonly are direct in approach, assertive and intended to overpower consumers' will in favor of serving the marketer's will.

In RM, with attention shifted toward consumers as individuals, some of the elements of TM are retained, but increased attention is paid to individual customer preferences (as may be indicated in a database recording of past purchases) and less attention paid to traditional quantitative studies. Overall, RM is more humanistic: it is more favorable toward dialogs with consumers. RM depends less on power-driven push dynamics and more on carefully managed pull dynamics in which consumers are invited to influence the marketing process by injecting their individual preferences into the process.

FEW BENEFITS OF RELATIONSHIP MARKETING

- sales and marketing and set-up costs are amortized over a longer customer lifetime;
- customer expenditure increases over time; repeat customers often cost less to service;
- satisfied customers provide referrals;
- satisfied customers may be prepared to pay a price premium

THE PRESCRIPTION: "taking on the bridge "

Relationship marketing has often been contrasted to transaction marketing (e.g. Baye, 1995;

Jackson, 1985) which is about developing, selling and delivering products by means of short-term, discrete economic transactions. However, it is now proposed that closer attention is paid to the long-term financial benefits, and other benefits, of retained customers the main reason being that competition in the marketplace has intensified. To achieve growth, it is argued, organisations must change their paradigm to that of relationship marketing.

As RM is a term used in a broad manner, there is probably a need for the marketing practitioner to understand what it is, its impact on the organisation (not just on the marketing aspects), its applicability to an organization and its benefits to customers. Relationship Marketing cannot be introduced in a prescriptive manner without a thorough comprehension of its context. There is a need to understand that RM is an overall strategy for the organization and not just a sales tool with a short-term orientation. RM requires a long-term plan, and anything long-term requires a strong organizational commitment and appropriate investment.

The relationship philosophy relies on co-operation and a trusting relationship with customers (and other stakeholders and network partners) instead of an adversarial approach to customers, on collaboration within the company instead of specialization of functions and the division of labor.

In order to execute relationship marketing the Ps of the marketing mix, such as advertising, pricing and selling, can and should be applied, but in addition a host of other resources and activities are needed. Most of these additional resources and activities, relating, for example, to delivering, installing, updating, repairing, servicing and maintaining goods or equipment, or to billing, complaints handling, customer education and other activities, are not considered part of the marketing function. Most of the people involved in such activities are not part of a marketing and/or sales department. Nevertheless, their attitudes towards customers and their behaviours and ways of executing their tasks are imperative to successful maintenance and enhancement of customer relationships and other types of market relationships. In many situations their impact is more important to long-term success in the marketplace than that of the full-time marketers.

Managers of firms seeking to develop relationships with their customers should avoid the arrogant belief that customers seek such relationships. Studies have indicated that many categories of buyers are becoming increasingly confident in venturing outside of a business relationship and reluctant to enter into an ongoing relationship.

Managers should avoid the notion that they can buy their customers' loyalty. Customer loyalty in an affective sense cannot be bought by companies through financially based incentive schemes. Where such schemes are used, what passes for loyalty may be associated with loyalty to the incentive, rather than to the firm. At present the promise of RM remains just a promise. The concept is simple. We engage with the customer, discuss their problems, wants and needs and create the product or service that satisfies those requirements precisely. For most firms in most markets this is a long way off.

Finally, the RM strategy starts with the commitment of the chief executive and the board. If the attempt at improving relationships is left to one function within the firm - typically sales or marketing - then it is unlikely that the firm will realise the full benefits. Indeed, such an approach may even prove counterproductive as conflicts arise between parts of the firm that orient towards internal production and operations and a sales team encouraged to develop relationships and partnerships. With RM it is, as so often the case, a matter of all or nothing. So Relationship Marketing has been emerged as "**a marketing bridge**" that will essentially speed up the efforts & returns of marketers, but it requires sound navigation system.

Relationship Tools and PROGRAMS

- Loyalty schemes
- Clubs
- Cross selling
- Telemarketing
- Exclusive deals
- Customer magazines
- Exclusive Groups
- Personalised services
- Customised products or services
- Privileged Access
- Membership Clubs

- Website
- Chat room
- Privileged Knowledge

THE FINALE

Relationship marketing has emerged in response to the new claims of the environment which include blurring boundaries between markets or industries, an increasing fragmentation of markets, shorter product life cycles, rapid changing customer buying patterns and more knowledgeable and sophisticated customers. In this higher market and competitive turbulence in general long-term relationships with customers are seen as a prerequisite for competitive advantages of a company.

The new strategic focus on customer relationships by its proponents is seen at the same time as the foundation for the development of relationship marketing as a new marketing concept. This core idea of the new concept can be expressed as a shift from the "**tell us what colour you want**" school to a "**let's figure out together whether and how colour matters to your larger goal**" marketing philosophy (McKenna, 1991). The idea of customer satisfaction is hence complemented by the comprehensive integration of the customer into an interactive value-generating process, based on interdependence and reciprocity.

A relationship may have the power to **make up for lapses** in product or service performance. When such lapses occur, the relationship can help the marketer to retain customers and provide an opportunity to recover when consumers are dissatisfied. Relationships therefore provide a level of insulation for the marketer. Customers may overlook instances of poor product performance when they have a relationship with the marketer. More importantly, relationships may also **mitigate when service failures** occur after consumers experience poor product performance.-

The overall objective of relationship marketing, the facilitation and maintenance of long-term customer relationships, leads to changed focal points and modifications of the marketing management process. The common superior objectives of all strategies are enduring unique relationships with

customers, which **cannot be imitated** by competitors and therefore provide **sustainable competitive advantages**.

Every firm, regardless of its business, can benefit from a relationship marketing approach. In some situations, such as business-to-business situations and for service industries, this approach is easier to implement; in others (for many consumer goods industries), it is more difficult. However, in the business environment and marketing situation that is emerging in more and more industries and on an ever-growing number of markets, a relationship marketing strategy is becoming a necessity for survival. Relationship marketing is the biggest paradigmatic shift marketing theory and practice has seen during the last 50 years, **that is taking marketing thought back to its roots**. Henceforth, it is the need of the hour that the companies should **think more in terms of "keeping customers"** in contrast to the basic marketing warfare of **"winning new customers"**.

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