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Czech Republic

Relational Marketing: Contents, Meaning, and Strategies

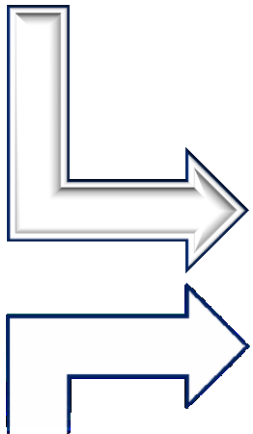
Introduction to Service Marketing

Francesco Caputo

fcaputo@mail.muni.cz

From old to new vision in management

Transaction-based marketing - Buyer and seller exchanges characterized by limited communications and little or no ongoing relationship between the parties



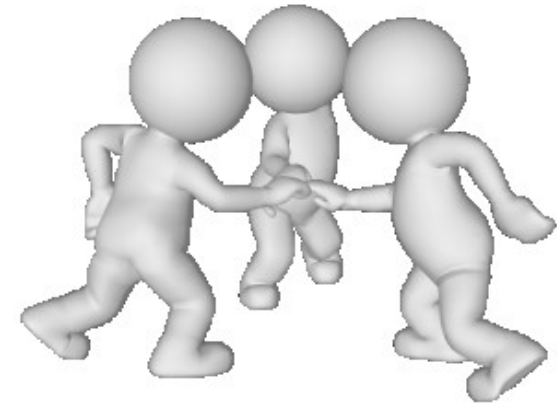
Relationship Marketing - Development, growth, and maintenance of long-term, cost-effective relationships with individual customers, suppliers, employees, and other partners for mutual benefit

Transaction Marketing Vs Relationship Marketing

Transactional marketing is focusing all of its marketing efforts on attracting customer for one off sale



Relationship marketing uses methods to develop long term relationship with customer in order to retain and develop a healthy relationship with their customer



Source: Gummesson, E. (2011). *Total relationship marketing*. Routledge, London.

From old to new vision in management

PAST



TRANSACTION

PRESENT



COLLABORATION

FUTURE?



INTEGRATION

Core concepts of Relationship Marketing

- a. Contrast transaction-based marketing with relationship-based marketing.
- b. Identify and explain the four basic elements of relationship marketing, as well as the importance of internal marketing.
- c. Identify the three levels of the relationship marketing continuum.
- d. Explain how firms can enhance customer satisfaction.
- e. Describe how companies build buyer-seller relationships.
- f. Explain customer relationship management (CRM) and the role of technology in building customer relationships.
- g. Describe the buyer-seller relationship in B2B marketing and identify the four types of business partnerships.
- h. Describe how B2B marketing incorporates national account selling, EDI and Web services, VMI, CPFaR, managing the supply chains, and creating alliances.
- i. Identify and evaluate the most common measurement and evaluation techniques within a relationship marketing program.

Key drives of Relationship Marketing

- ✓ Focuses on long term rather than short term
- ✓ Emphasizes retaining customers over making a sale
- ✓ Ranks customer service as a high priority
- ✓ Encourages frequent customer contact
- ✓ Fosters customer commitment with the firm
- ✓ Bases customer interactions on cooperation and trust

Key drives of Relationship Marketing

Gather
information
about their
customers

Monitor
interactions with
customers

Firms build long-
term relationships
in four ways

Analyze the data
and use it to
modify the
marketing mix

Use customers'
preferences and
knowledge

Marketing mix and Relationship Marketing

Price

- ✓ The company will set a price based on the relationship with the customer and the bundle of features and services ordered by the customer.
- ✓ In business-to-business marketing, there is more negotiation because products are often designed for each customer.

Place (Distribution)

- ✓ RM favours more direct marketing to the customer, thus reducing the role of middlemen.
- ✓ RM favours offering alternatives to customers to choose the way they want to order, pay for, receive, install, and even repair the product.

Promotion (Communication)

- ✓ RM favours more individual communication and dialogue with customers.
- ✓ RM favours more integrated marketing communications to deliver the same promise and image to the customer.
- ✓ RM sets up extranets with large customers to facilitate information exchange, joint planning, ordering, and payments.

Product

- ✓ More products are customized to the customers' preferences.
- ✓ New products are developed and designed cooperatively with suppliers and distributors.

Levels of Relationship Marketing

First level: *Price*



Second level: *Social interaction*



Third level: *Partnership*

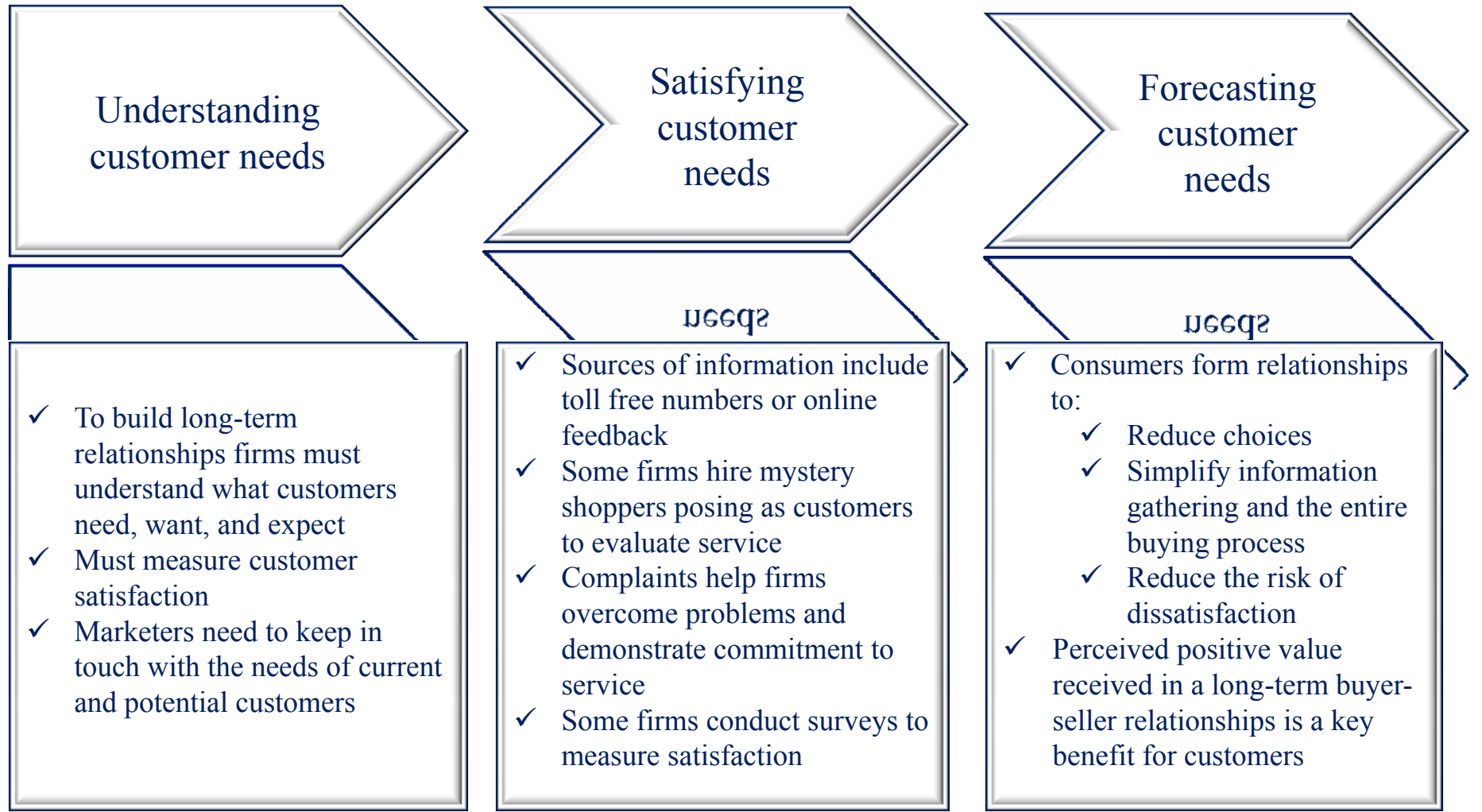
Source: Berry, L. L. (1995). Relationship marketing of services—growing interest, emerging perspectives. *Journal of the Academy of marketing science*, 23(4), 236-245.

The focus: Customer satisfaction

- ✓ Customers experience of a product or a service is multifaceted so hard to determine
- ✓ It needs to be measured individually to get an accurate total picture of customer satisfaction
- ✓ Customer satisfaction should not be viewed in a vacuum.
- ✓ For example, a customer may be satisfied with a product or service and therefore rate the product or service highly in a survey and yet same customer may buy another product.

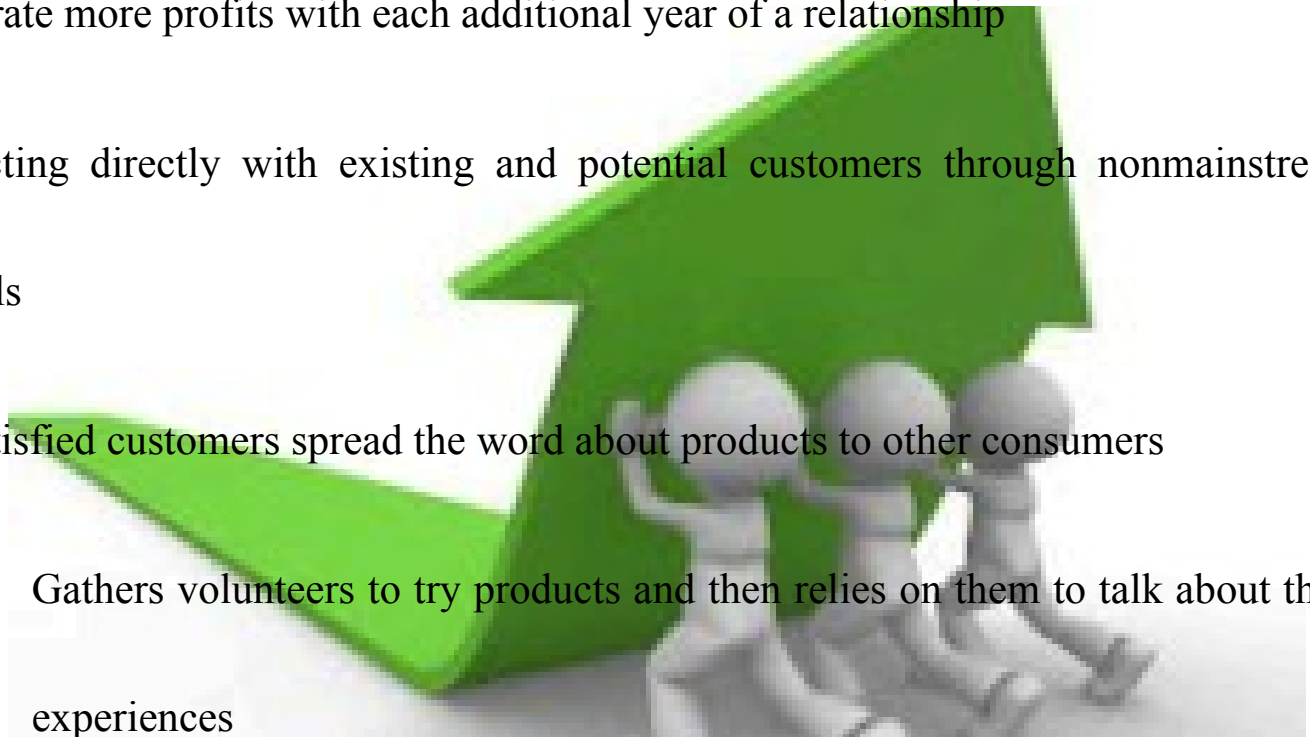


Steps towards Customer satisfaction



Reasons of Relationship Marketing

- ✓ Retaining customers is more profitable than losing them
- ✓ Customer turnover is expensive for companies
- ✓ Firms generate more profits with each additional year of a relationship
- ✓ Connecting directly with existing and potential customers through nonmainstream channels
- ✓ Satisfied customers spread the word about products to other consumers
- ✓ Gathers volunteers to try products and then relies on them to talk about their experiences



A possible pathways: Customer Relationship Management (CRM)

“Customer relationship management is an enterprise-wide customer-centric business model that must be built around the customer. It is a continuous effort that requires redesigning core business processes starting from the customer perspective and involving customer feedback”.

Source: Chen, I. J., & Popovich, K. (2003). Understanding customer relationship management (CRM) People, process and technology. *Business process management journal*, 9(5), 672-688.

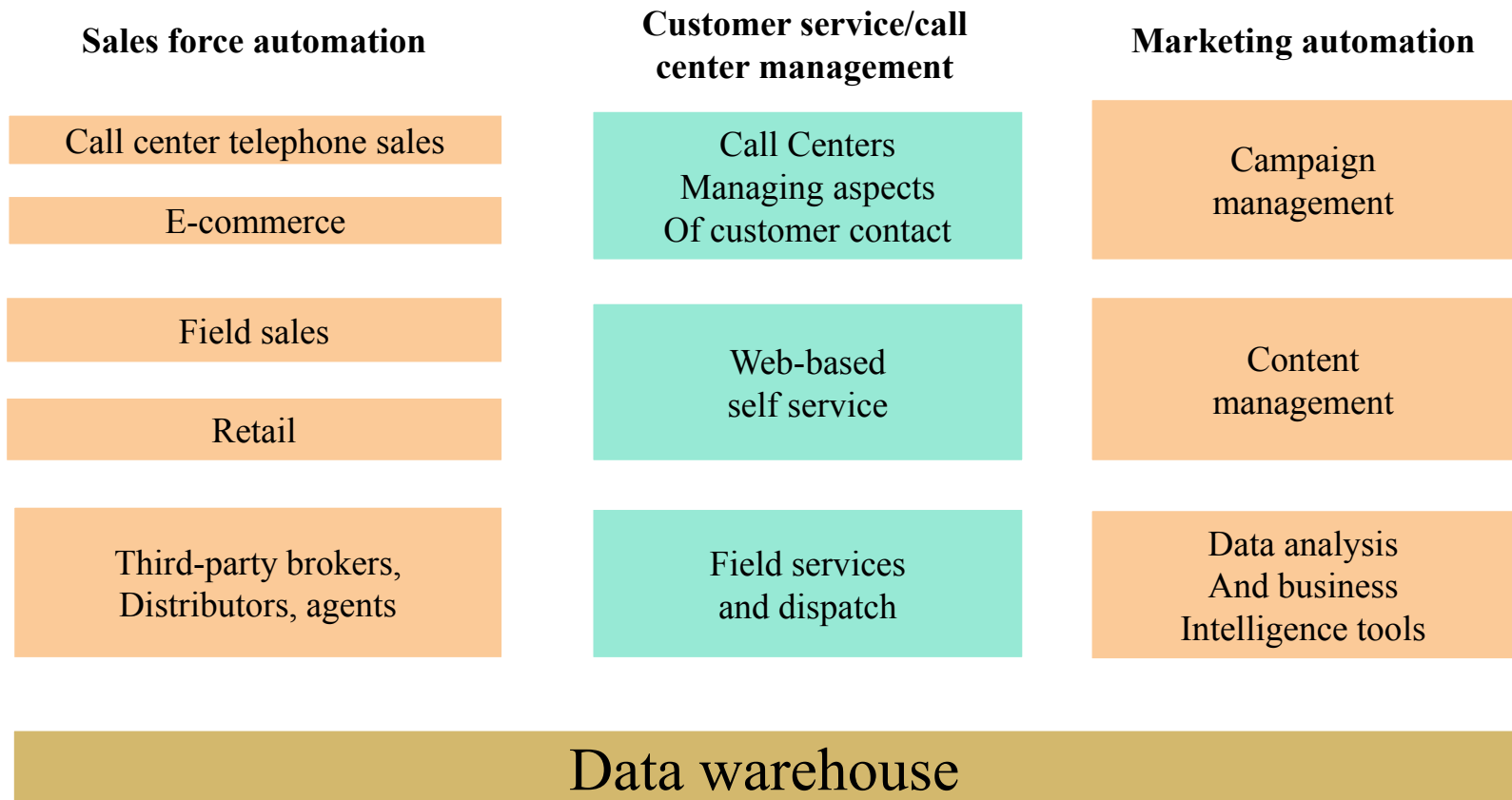
“As we move from the industrial economy to the knowledge-based economy, the focus of production efficiency is shifted to value creation throughout the entire value chain. Customer relationship management is a key ingredient in the value creation strategy”.

Source: Chan, J. O. (2005). Toward a unified view of customer relationship management. *Journal of American Academy of Business*, 6(1), 32-38.

Implementation strategies



Elements of CRM



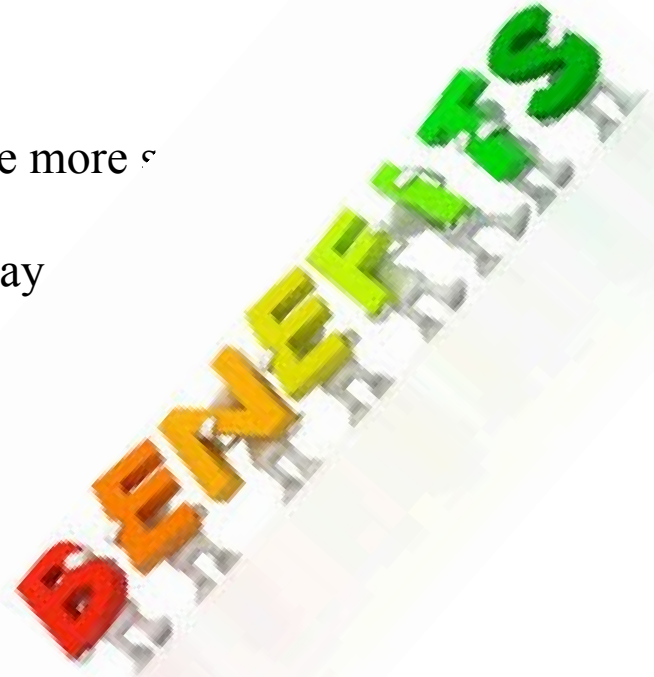
Role of ICT in CRM

- ✓ Technological approaches involving the use of databases, data mining and one-to-one marketing can assist organisations to increase customer value and their own profitability
- ✓ This type of technology can be used to keep a record of customers names and contact details in addition to their history of buying products or using services
- ✓ This information can be used to target customers in a personalised way and offer them services to meet their specific needs
- ✓ This personalised communication provides value for the customer and increases customers loyalty to the provider



Benefits of CRM

- ✓ Software systems can make sense of huge amounts of data
- ✓ Simplifies complex business processes
- ✓ While company is quickly growing, customers are more satisfied
- ✓ Service provided in a better way, and a quicker way
- ✓ Integrated customer information
- ✓ Certain processes eliminated
- ✓ Operation cost cut, and time efficient
- ✓ Brand names more quickly established
- ✓ Sales and marketing teams can benefit from having knowledge about customers



Problems with CRM

- ✓ Requires companywide commitment and knowledge to use the CRM system
- ✓ Failure to effectively reorganize firm's people and processes
- ✓ Organizational wise change of priority to customers
- ✓ Significant investment of time and money
- ✓ Threatens management's control/power struggle
- ✓ Heightens people's resistance to change
- ✓ Inappropriate integration leads to disaster



How to develop a CRM strategy?

To develop a CRM strategy organizations need to address four issues (2):

1. What is our core business and how will it evolve in the future?
2. What form of CRM is appropriate for our business now and in the future?
3. What IT infrastructure do we have and what do we need to support the future organization needs?
4. What vendors and partners do we need to choose?

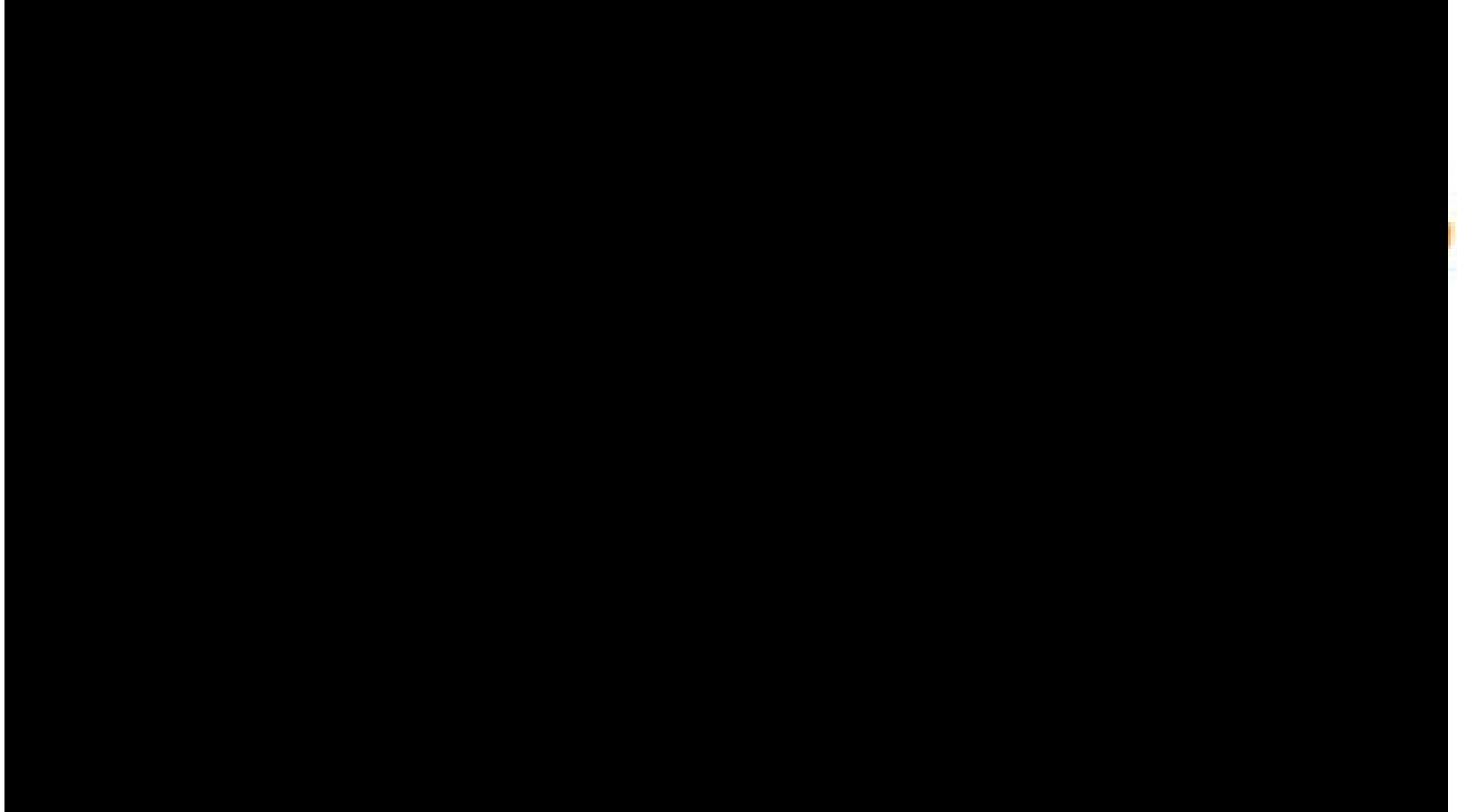


Steps to improve a CRM strategy

1. Build a database
2. Analyze, define types, profitability
3. Customer selection
4. Activities to delight selected customers
5. Analyze again to select the best



A short summary



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Thank you for your attention

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