

Relationship Marketing: A New Dimension of Marketing

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Abstract

Customer satisfaction and loyalty depend on the relationship marketing strategies of the marketer. In the early 1990s the concept of relationship marketing was formally introduced into the field of service marketing. And further the concept was also found applicable in the case of industrial as well as consumer products. The aim of relationship marketing is to create strong, lasting relationship with core group of customers. It is to a firm's advantage to develop long term relationship with existing customers because it is easier and less expensive to make an additional sale to an existing customer than to make a new sale to a new customer. In this paper an attempt is done to know the need, benefits and scope of Relationship Marketing.

Keywords:

Relationship Marketing, New Dimension of Marketing, Customer satisfaction, marketing strategies, lasting relationship

Introduction:

“A merchant is successful who has a friend in every town”

Relationship Marketing -The process of creating, maintaining and enhancing strong, value-laden relationships with Customers and other stakeholders. Relationship

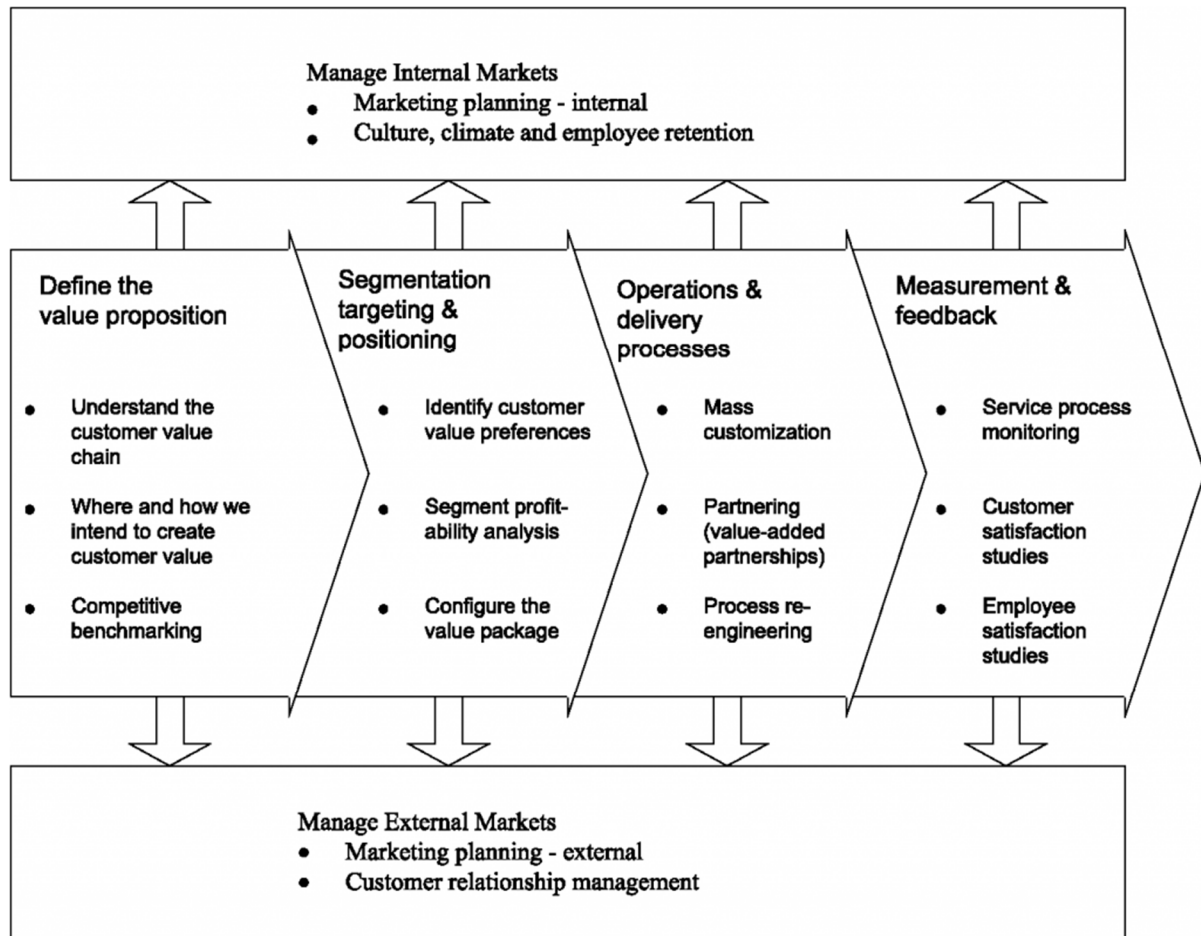
marketing is based on the premise that important accounts need focused and continuous attention.

Relationship marketing is a strategy designed to foster customer loyalty, interaction and long-term engagement. This customer relationship management (CRM) strategy focuses more on long-term customer retention than acquiring large numbers of new and potentially single-transaction customer.

Relationship marketing was first defined as a form of marketing developed from direct response marketing campaigns which emphasizes customer retention and satisfaction, rather than a dominant focus on sales transactions. As a practice, relationship marketing differs from other forms of marketing in that it recognizes the long term value of customer relationships and extends communication beyond intrusive advertising and sales promotional messages.

With the growth of the internet and mobile platforms, relationship marketing has continued to evolve and move forward as technology opens more collaborative and social communication channels. This includes tools for managing relationships with customers that go beyond simple demographic and customer service data. Relationship marketing extends to include inbound marketing efforts, (a combination of search optimization and strategic content), Public Relation, social media and application development.

functional (or 'silo') department approach.



Source: Payne (1995)

Scope of Relationship Marketing

Relationship marketing has also been strongly influenced by reengineering. According to (process) reengineering theory, organizations should be structured according to complete tasks and processes rather than functions. That is, cross-functional teams should be responsible for a whole process, from beginning to end, rather than having the work go from one functional department to another. Traditional marketing is said to use the

The legacy of this can still be seen in the traditional four P's of the marketing mix Pricing, product management promotion, and placement According to Gordon (1999), the marketing mix approach is too limited to provide a usable framework for assessing and developing customer relationships in many industries and should be replaced by the relationship marketing alternative model where the focus is on customers, relationships and interaction over time, rather than markets and products.

In contrast, relationship marketing is cross-functional marketing. It is organized around processes that involve all aspects of the organization. In fact, some commentators prefer to call relationship marketing "relationship management" in recognition of the fact that it involves much more than

that which is normally included in marketing.

Martin Christopher, Adrian Payne, and David Ballantyne at the Cranfield School of Management claim that relationship marketing has the potential to forge a new synthesis between quality management, customer service management, and marketing.

Importance of Relationship marketing

To create customer satisfaction, companies must manage their value chain as well as the whole value delivery system in a customer-centered way. The company's goal is not only to get customers, but even more importantly to retain customers. Customer relationship marketing provides the key to retaining customers and involves providing financial and social benefits as well as structural ties to the customers. Companies must decide how much relationship marketing to invest in different market segments and individual customers, from such levels as basic, reactive, accountable, proactive, and full partnership. Much depends on estimating customer lifetime value against the cost stream required to attract and retain these customers.

The emphasis on relationship is now a key to successful business and the traditional concept of making sales is being replaced by making long time win – win relationship with customers. It is emerging as the core marketing activity for business operating in fiercely competitive environments. On average, business spends six times more to acquire customers than they do to keep them (Gruen, 1997).

Therefore most of the firms are now paying more attention to their relationships with existing customers to retain them and increase their share of customers' purchases.

Relationship marketing can be defined as "process of attracting, maintaining, and in multi service organizations, enhancing customer relationship" – Berry (1983).

The underlying concept is that to keep the loyal customer retained within the company and to honour their long term performance. Shani and Chalsani (1992) viewed relationship marketing as ' an integrated effort to identify, maintain and build up a network with individual customers and to continuously strengthen the network for mutual benefits of both the sides, through interactive, individualized and value added contracts over a long period of time.

Intensifying competition and technological developments made businesses look for ways to reduce cost and improve their effectiveness. The practice of relationship marketing has the potential to improve marketing productivity through marketing efficiencies and effectiveness (Sheth and Parvaliyar, 1995).

The benefits of relationship marketing and CRM come through lower costs of retention and increased profits due to longer defection rates (Reichheld & Sasser, 1990). The developing economies now calculate on service industries. There is a shift to service economy from industrial economy. In this labour intensive sector relationship plays an important role. The major service organizations like banks, hospitals, hotels, IT and telecoms requires regular interaction of marketers and customers, so that the bond and understanding between both will become strong.

Berry (1993) recommended the following five strategies for practicing relationship marketing:-

- Developing a core service around which to build a customer relationship
- Customizing relationship to the individual customer

- Augmenting the core service with extra benefits
- Pricing service to encourage customer loyalty
- Marketing to employees so that they will perform well for customers

Conclusion

Relationship marketing is a buyer-friendly approach to business. In this lesson, you'll learn what relationship marketing is and some related strategies. Relationship marketing views marketing as an exchange where both buyers and sellers help shape the direction and outcome of the product that will be offered to the market. Instead of treating marketing as merely selling a product to passive potential buyers, relationship marketing argues that you need to encompass many more activities and parties in the marketing process, including consumers. You attempt to build long-term relationships. Marketing doesn't end after the customer purchases the product; rather, you attempt to obtain important feedback from your customers and build a continuous relationship through related products and services.

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