





Relationship Marketing

Value creation and strategy implementation

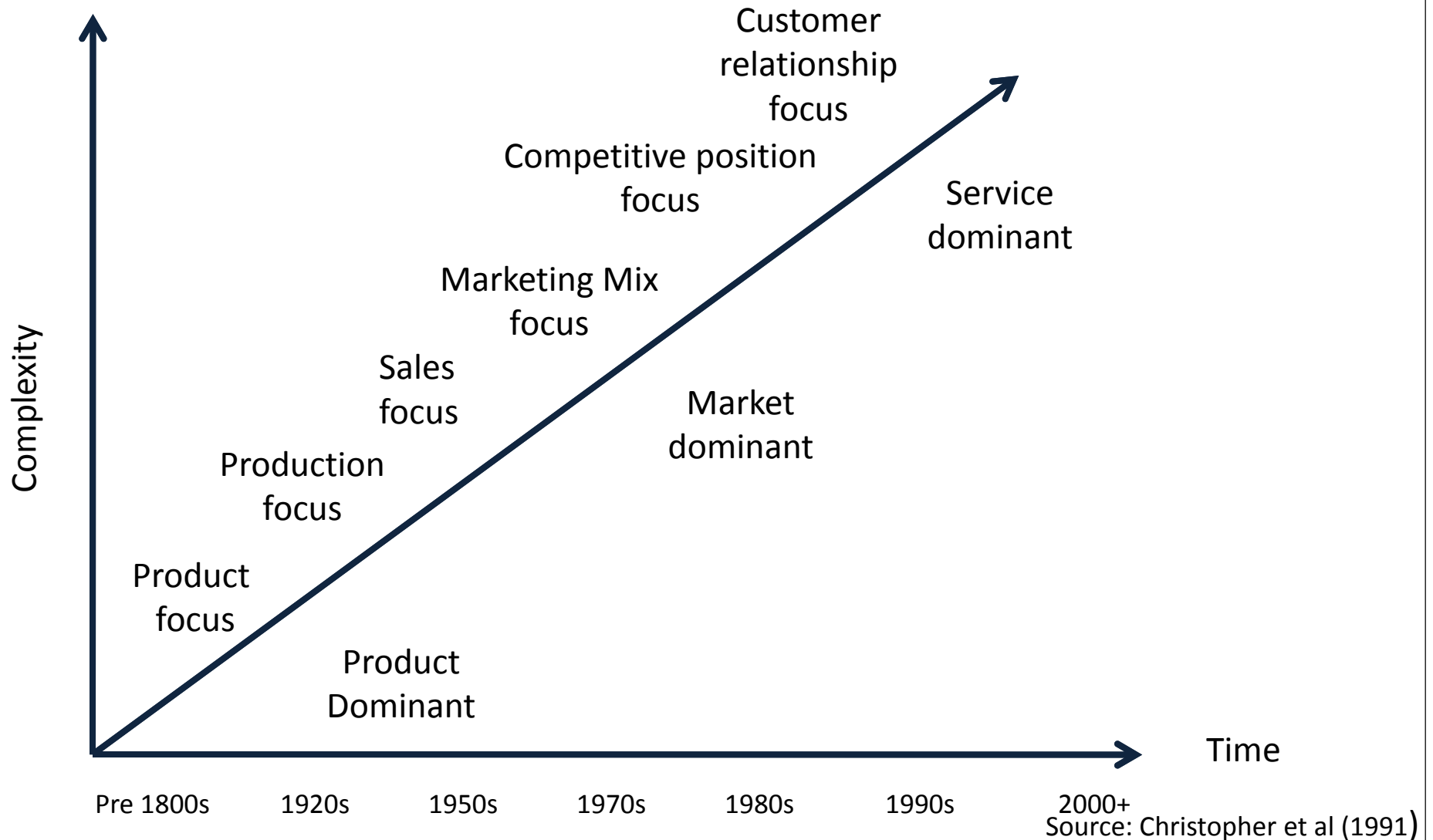
Agenda

- The Changing Focus in Marketing
- Traditional versus Relationship Marketing Approach
- Transactional versus Relationship Marketing
- Relationship Marketing: principle and orientation
- The role of RM to competitive marketing strategy

“As a merchant you’d better have a friend in every town”

An ancient Middle Eastern proverb

The Changing Focus of Marketing



Traditional Marketing Approach

- Marketing Mix (4Ps) Approach
 - Product
 - Price
 - Place
 - Promotion

Problems with Traditional Marketing Approach

- It assumes all segments of customers are similar and may be treated in a standardized way
- It assumes consumers are passive absorbers of marketing information
- It assumes short-term and often one-off transactions based around the exchange of goods for money

Definition of Relationship Marketing

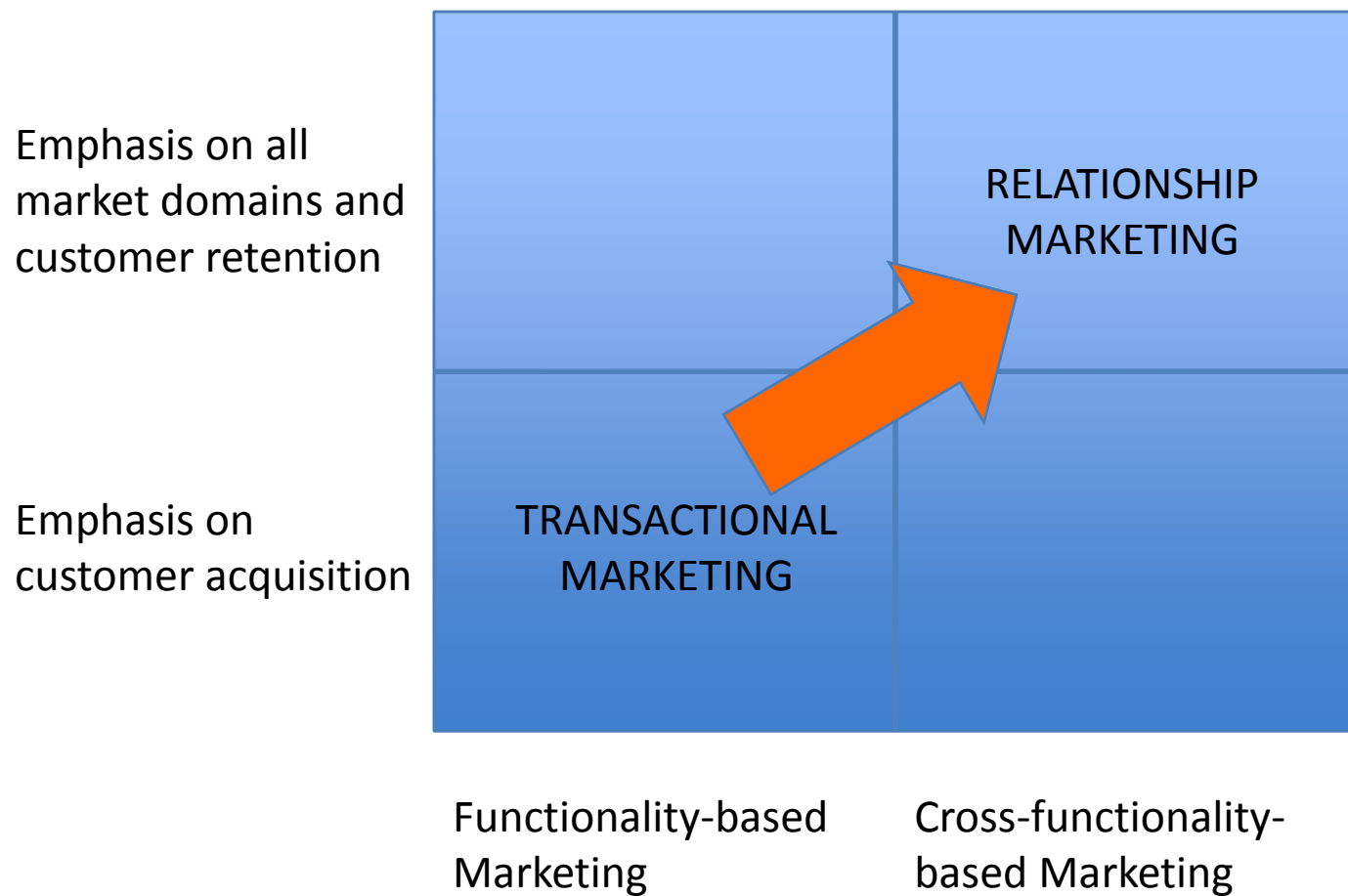
Perspective	Definition
Berry (1993) from a service perspective	“Relationship Marketing is attracting, maintaining and multi-service organizations enhancing customer relationship”
Jackson (1985) from an industrial marketing perspective	“Marketing concentrated towards strong, lasting relationship with individual accounts”
Berry and Parasuramen (1992) from a service perspective	“Attracting, developing and retaining customer relationships”
Gronos (1995) from a network perspective	“To identify and establish, maintain and enhance relationship with customers and other stakeholders, at profit so that the objectives of the partners interest are met, and this achieved by a mutual exchange and fulfillment of promises”

Source: Christopher et al (1991)

General Model of Relationship Marketing

- Focuses on a relationship rather than transactional approach to marketing
- Understands the economics of customer retention
- Highlights the critical role of internal marketing in achieving external marketing success
- Extends to more diverse market
- Recognizes the quality, customer services and marketing need to be closely integrated
- Ensures that marketing is considered a cross functional context

The Transactional to Relationship Marketing



Source: Christopher, Relationship Marketing, 2002

Transactional Marketing

- Focus in volume
- Emphasizes product features
- Short timescale
- Little emphasis on customer services
- Moderate customer contact
- Primary concern with product quality

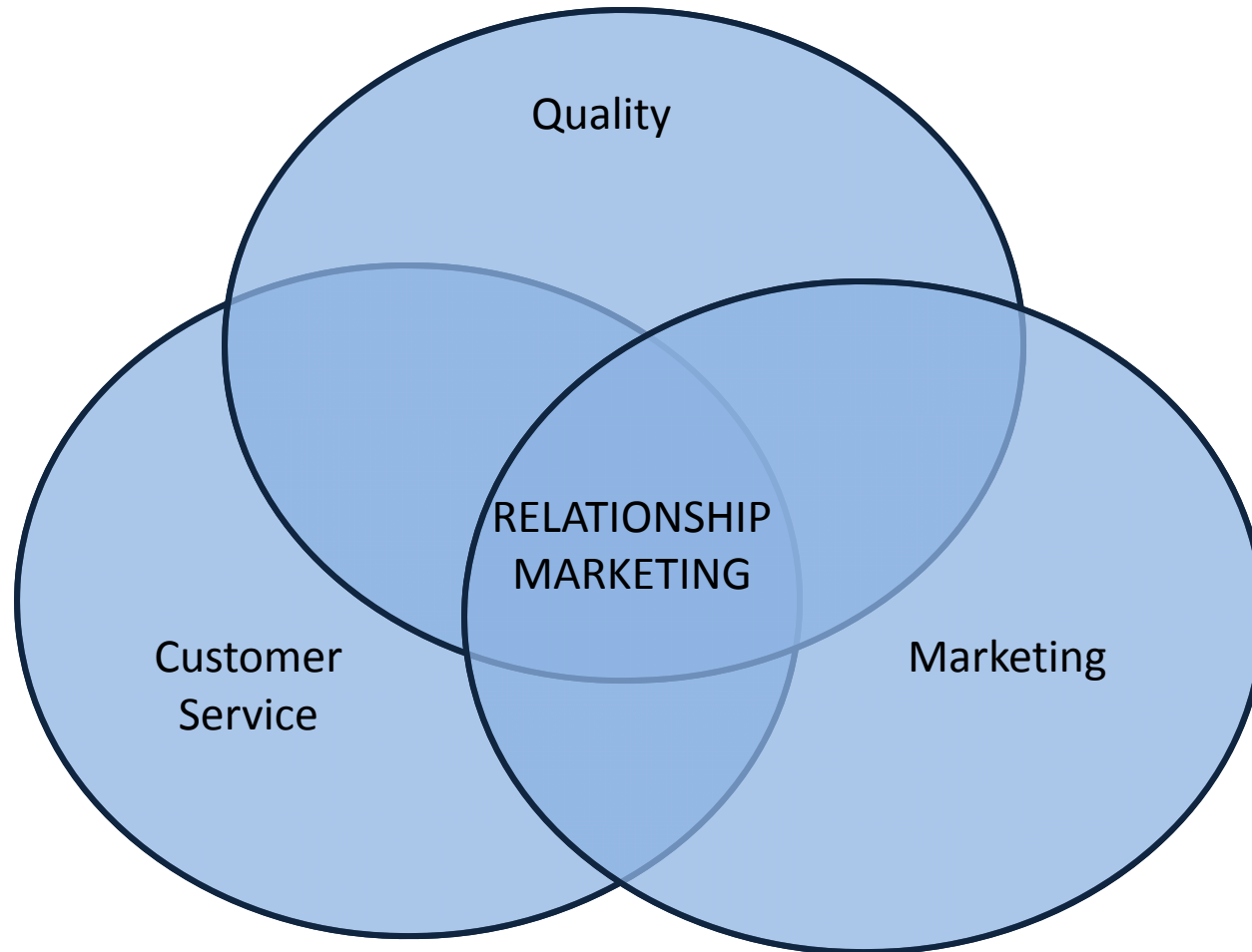
Relationship Marketing

- Focus on profitable retention
- Emphasizes customer value
- Longer-term timescalers
- High customer service emphasis
- High customer contact
- Concern with relationship quality

Principles of Relationship Marketing

- Maximizing Customer Lifetime Value (CLV) is a fundamental goal of Relationship Marketing
 - The future flow of net profit discounted back to the present
- Focusing marketing action on multiple markets
 - Six Markets Model
- It must be cross-functional
 - “Marketing is too important to be left to the marketing department” (David Packard)

The Relationship Marketing Orientation



Source: Christopher et al (1991)

Benefits RM to the firms

- To win a new customer is more expensive than to it is to to retain an existing customer
- Established customers tend to buy more (share of wallet)
- Satisfied customers are more likely to refer others (reduce cost of acquisition)
- Loyal customers can be less price sensitive and may be less likely to defect due to price increases
- Retaining customers makes market entry difficult for competitors

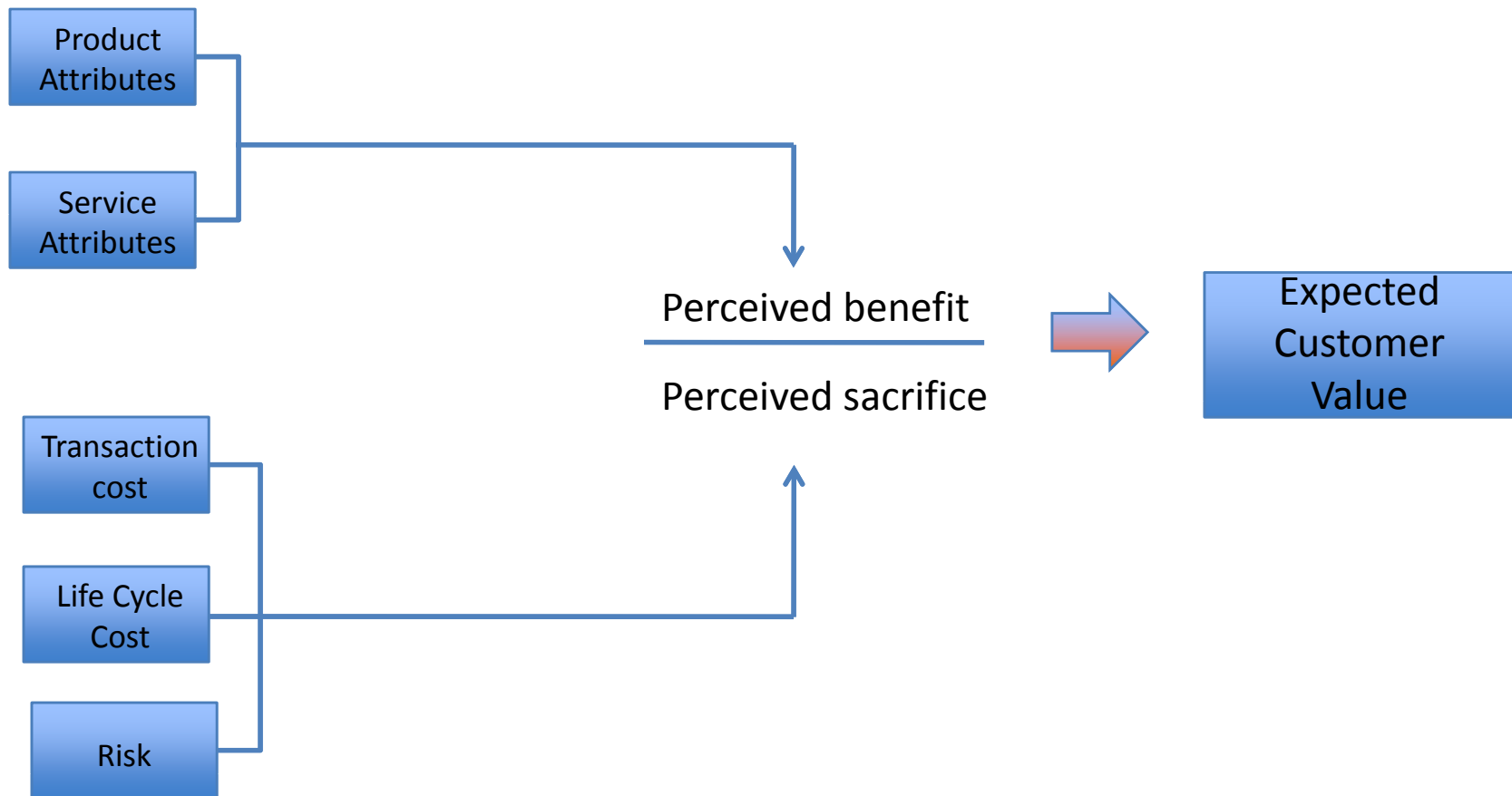
The Role of RM to Competitive Marketing Strategy

- Value as the central role to develop and implement relationship marketing strategy
- Stakeholders interaction process
- Key value activities

The Role of Customer Value

- **Customer Perceive Value (CPV)**
Is the difference between the prospective customer's evaluation of all benefits and all the costs of an offering and the 'perceived' alternatives.
- Customers tend to be value maximizers

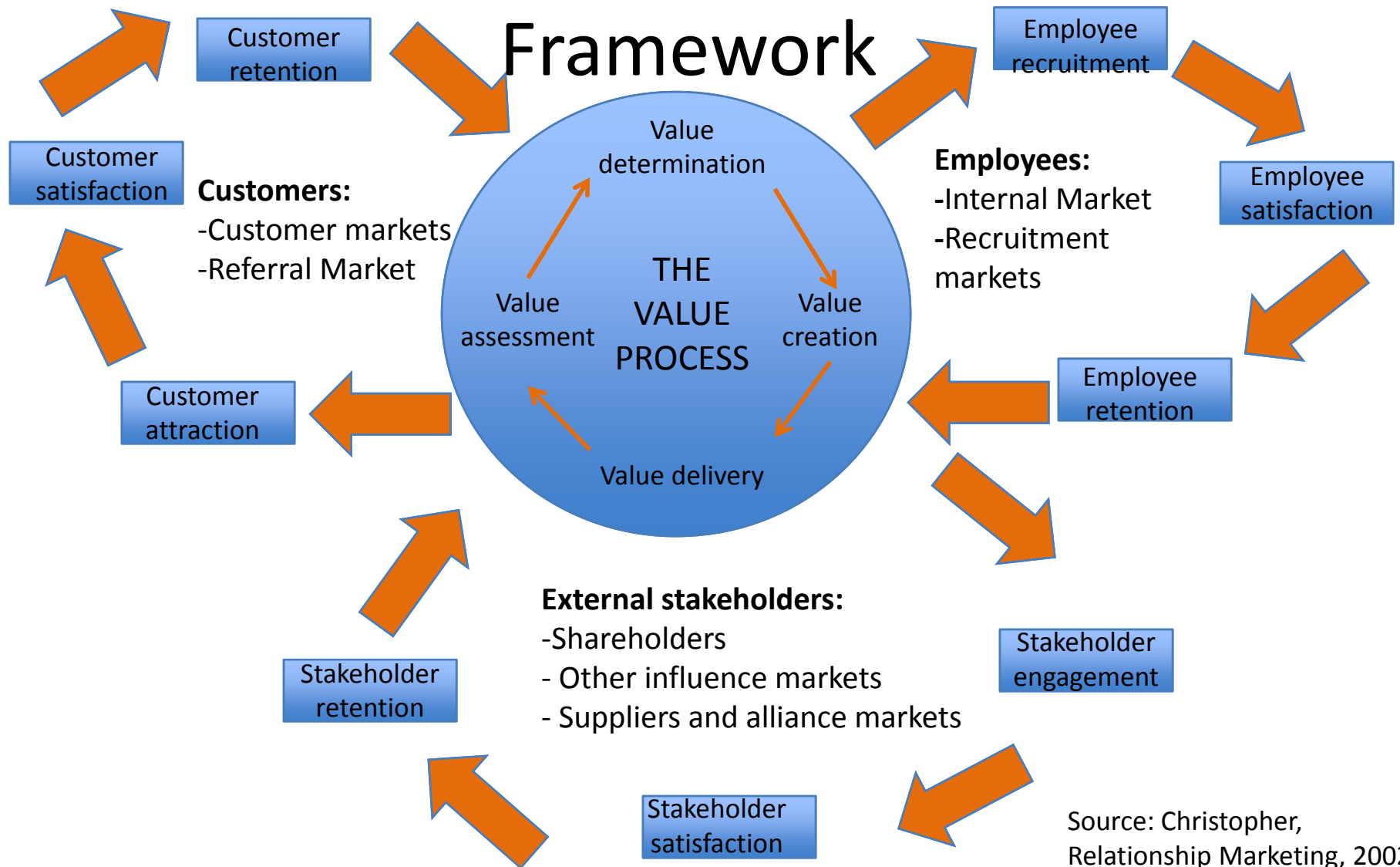
Component of Customer Value



The Value Process

- Value Determination
- Value Creation
- Value Delivery
- Value Assessment

Relationship Value Management Framework



Source: Christopher, Relationship Marketing, 2002

Choice of Relationship Strategy

- Three generic strategies identifies by Treacy and Wierseman:
 - Operational excellence
 - Providing customers with reliable products or services at competitive prices and minimal inconvenience
 - Product leadership
 - Providing products that continually redefine the state of art
 - Customer intimacy
 - Selling the customer a total solution not just a product or service

References

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- Harwood, Tracy,T. Garry and A Broderick (2008). “Relationship Marketing: Perspectives, Dimensions and Context, McGraw Hill.
- Naumann, E. And R. Kordupleski (1995). “Customer Value Toolkit, 1st edition. South Western College \publishing.

Thank You