

## RELATIONSHIP MARKETING: A TOOL FOR STRATEGIC COMPETITION MANAGEMENT

Rakesh Kumar Yadav\*

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### ABSTRACT

*Peter Drucker has said, "Business is all about creating customer, satisfying a customer and retaining a customer." In today's intense competition, it is very important for any business organization to keep their customers otherwise the competitors will attract them. Increasing inflation rate, increasing rate of interests, hike in fuel prices, global slowdown in economic growth are a few reasons of worry for the companies to think differently to maintain their sales and profit. The business organizations are struggling for their survival and sustainable growth. On the other hand, the new economic policy of India has also opened its trade for the multinational companies. Therefore companies are trying to do something by which they can keep their customers and it is the Relationship Marketing which helps the companies to do so. It is an important tool for strategic competition management. As it is well known fact that a satisfied and loyal customer brings three new customers, therefore companies try all their efforts to maintain good relations with its customers. They are providing value for their money & efforts, they are providing information about their actions, they are inviting them for feedback etc.*

*This paper measures how relationship marketing can be used as a tool for strategic competition management.*

**Keywords:** *Customer Retention, Channel Partnership, Emotional Bonding, Customer Loyalty, Customer Expectation.*

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\*Assistant Professor, Advance Institute of Management, Ghaziabad

## INTRODUCTION

Peter Drucker has said, “*Business is all about creating customer, satisfying a customer and retaining a customer.*” In today’s intense competition, it is very important for any business organization to keep their customers otherwise the competitors will attract them. This is the time of global slowdown. Prime Minister Dr. Manmohan Singh said at Pravasi Bhartiya Diwas on Jan 8, 2012 at Jaipur, “Our country is going through difficult times”. He was indicating the global crisis of European market and slowdown in US economy. He said that even the Indian economy is expected to grow at the rate of 7% now while earlier government was planning more than this mark. This statement of Dr. Manmohan Singh shows that the present marketing environment is very tough to survive until some miracle takes place. Relationship marketing can be that tool, medium, strategy or miracle by which companies can get rid off slowdown as well as intense competition. That’s why Businesses are realizing that world is not made of strangers, but to their own neighbours, customers, employees and share holders. Corporate houses are trying to do something different to gain the attention of their customers and to share their relationship with them.

## RESEARCH METHODOLOGY:

### Objective of the study:

- To know the difference between transaction marketing and relationship marketing.
- To explore the need of relationship marketing.
- To understand how does relationship marketing help in managing competition.
- To find the various strategies adopted by different companies for relationship marketing.

**Research Design:** Exploratory research

**Data Type:** Secondary data

**Sources of Data:** Newspapers, magazines, journals and internet

## MEANING & CONCEPTUAL FRAMWORK:

If we go through the internet we found variety of information related to relationship marketing. According to Wikipedia, Relationship marketing refers to a short-term arrangement where both the buyer and seller have an interest in providing a more satisfying exchange. 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. According to Liam Alvey, relationship marketing can be applied when there are competitive product alternatives for customers to choose from; and when there is an ongoing and periodic desire for the product or service.

Fornicatell and Wernerfelt used the term "defensive marketing" to describe attempts to reduce customer turnover and increase customer disloyalty. This customer-retention approach was contrasted with "offensive marketing" which involved obtaining new customers and increasing customers' purchase frequency.

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.

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. They see marketing and customer service as inseparable. Every employee is said to be a "part-time marketer". The way Regis McKenna (1991) puts it, "Marketing is not a function, and it is a way of doing business . . . marketing has to be all pervasive, part of everyone's job description, from the receptionist to the board of directors."

#### **TRANSACTION MARKETING VS RELATIONSHIP MARKETING**

| <b>Transaction Marketing</b>                 | <b>Relationship Marketing</b>  |
|--|--------------------------------|
| Focus on single sale                         | Focus on customer retention    |
| Orientation on product feature               | Orientation on customer value  |
| Short time scale                             | Long time scale                |
| Little emphasis on customer service          | High customer service emphasis |
| Moderate customer contact                    | High customer contact          |
| Quality is primarily a concern of production | Quality is the concern for all |

As we can see this difference from the following figure which is take from the paper on Relationship Marketing written by Prof Adrian Payne of Cranfield School of Management, Cranfield University, Cranfield:

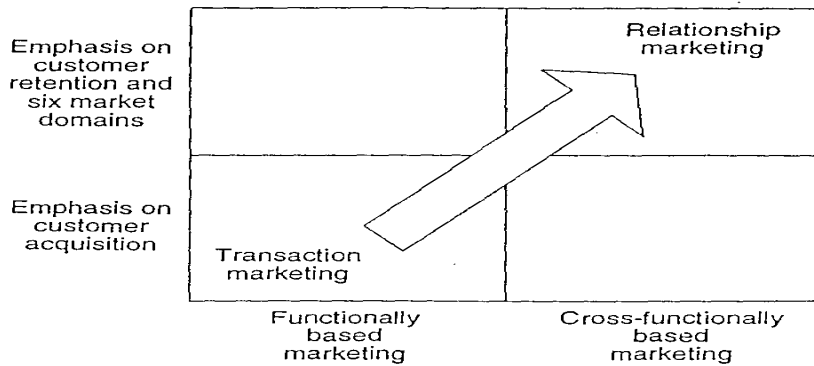


Figure 1 The transition to relationship marketing

## WHY DO COMPANIES NEED RELATIONSHIP MARKETING?

The global economy is again on a roller coaster. Global crisis which started in 2008 is still affecting the whole world. In G20 summit at France, the main issues were related to global slowdown especially latest crisis in Greece and Europe. India cannot remain in isolation. It is also affected by European crisis. This is one of the reasons why the export is declining in last quarters. Data released by the commerce and industry ministry on Nov 8<sup>th</sup> 2011 showed India's exports fell to a 12 months low of \$ 19.9 billion in October 2011 pushing trade deficit to a four year high of \$ 19.6 billion. Apart from this global slowdown we can summarise a few other reasons why do a company need relationship marketing:

- Increasing inflation rate
- Increasing rate of interests
- Hike in fuel prices
- Customers are becoming smarter and choosy
- Customers are well informed due to social networking and media awareness
- Cut throat competition
- Globalization and entry of MNCs
- Availability of substitute brands
- Low margin of profit
- Changes in demographic environment
- Emerging rural market
- Emerging organized retailing
- New legal threats like competition bill and other proposed company bill

- Environment threats etc

These are a few reasons of worry for the companies to think differently to maintain their sales and profit. On the other hand, the new economic policy of India which is based on LPG has also opened its trade for the multinational companies. MNCs are coming. Government is planning for FDI in multi brand retailing while single brand retailing already had a provision of 100% FDI. Companies are facing tuff competition. There is a clutter of brands available to customers as a substitute. Therefore customers are free to bargain and negotiate to choose the best option which ultimately reduces the profit of margin too.

According to the provisional data available of the 15<sup>th</sup> Census 2011, India now has a population of 1.21 billion, comprising 624 million males and 587 million females. The preliminary figures of the census 2011 show that India's literacy rate has gone up from 63.83% in 2001 to 74.04% in 2011. Male literacy and female literacy stand at 82.14% and 65.46% respectively. Literates constitute 74 % of population aged seven and above. This change in demographic environment shows that customers are becoming more literate and educated which makes them smarter & informative and companies are having big potential market to tape too even rural population has grown up.

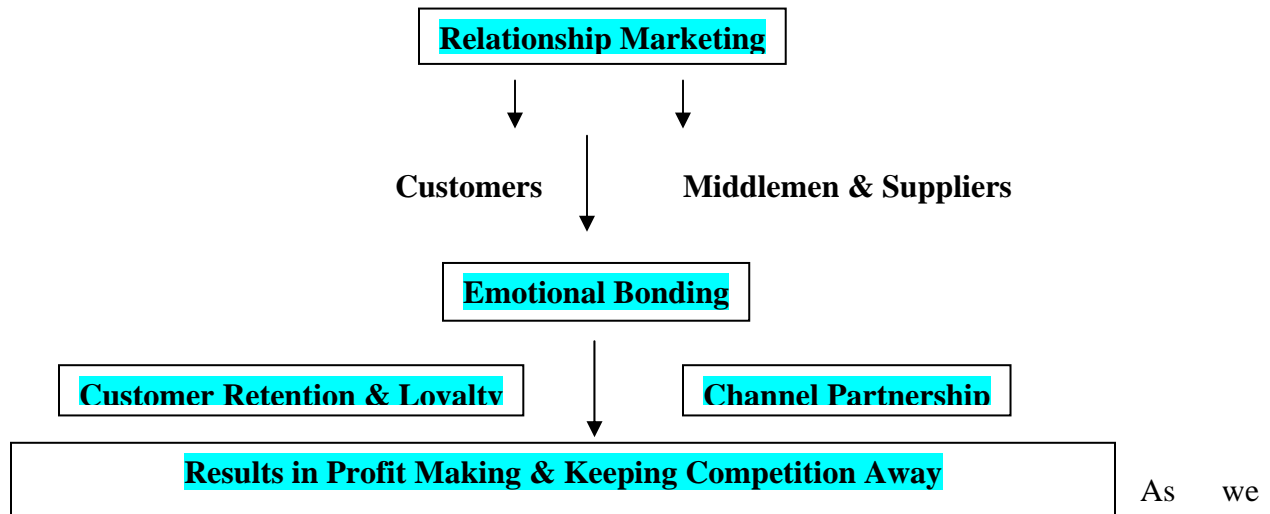
Social networking and media coverage has connected the whole world. Any thing happens in the one corner of the world affects the other corner too. We have seen the recent developments in gulf countries which started one by one. Even *Michel Dell* in his visit to Bangalore recently in Jan 2012 said," social media has enhanced relations with customers". His company has two billion interactions with customers through social media. Emerging organized retailing format is also a cause for adopting relationship marketing by the traditional marketers.

New laws and legal developments for saving interests of customers, environment threats which compel companies to produce eco friendly products is also one of the concerns.

Inflation is out of control. Inflation rate is almost equal to or above 9 % for last 11 months. Fuel prices are increasing day by day. RBI has increased 13 times Repo rate as well as reverse Repo rate but it is unable to manage the increasing rate of inflation. This is also keeping customers away from their shopping habit. Impulse buying is gone, customers are very choosy. Shopping is not done as a fashion or time pass but only when it is needed. The business organizations are struggling for their survival and sustainable growth. Therefore companies are trying to do

something by which they can keep their customers and it is the Relationship Marketing which helps the companies to do so.

## HOW DOES RELATIONSHIP MARKETING HELP IN COMPETITION MANAGEMENT?



As we see in the above figure, we can say that a company can manage the competition by utilizing relationship marketing as a strategic tool. The company starts various ways to establish relationship with its customers as well as with its middlemen & suppliers. It establishes a sense of emotional bonding between them which results in customer retention and loyalty for a firm and it also results in channel partnership with its middlemen & suppliers. This finally keeps the competition away and helps in generating more profit. Let's discuss these key components of this model to know how they manage the competition:

**Emotional Bonding:** As we see that the business world is getting more competitive now-a-days. Companies are facing severe competition not by their domestic counterparts but also from MNCs. The Darwin theory is applicable in business too i.e. "*survival of the fittest*". In today's scenario of competition the corporations are trying to do something different to gain the attention of their customers. Relationship marketing is one of those practices. It has become a tool for *emotional bonding* because emotional bonding is one of the factor by which a company can lead towards high growth. Indians are full of emotions. Generally it is said that Indians take their judgments not by mind but by their heart. This is the logic behind the practices of relationship marketing. Companies think that if they want to grow in Indian business environment, they will have to catch attention of the Indian people towards their deeds. And it can happen by creating

the positive image of their company in the hearts of Indian people which will ultimately result in an emotional bonding with the Indian people. This emotional bonding provides the better sales results at the end of the day. We can see it as follows:

In the figure we see that a company makes its offers (products/services) to satisfy its customers. For example Hero Motor Corp creates emotional bonding with its customers by offering right product at right price. It provides various models of bikes for different segment and provides value for money by providing better mileage, low maintenance and pollution free environment. It not only promotes its slogan “Fill it, shut it and forget it” but keeps it fulfilled by innovation and consistency in its performance. This is the way by which it keeps its customers satisfied and meets their expectation by providing value. For last ten years it is the highest bike selling company in India. The reason behind high sales growth is not only its new launches but its emotional bonding with its customers and society too. Its slogan “*Desh ki Dhadkan*” indicates the same philosophy of emotional bonding. The new song “*Hum main hai Hero*” again shows the same connection of ‘Hero Motor Corp’ with the Indian people. There are various CSR programs which associate Hero Motor Corp with its customers and create its positive image which ultimately results in its sales growth. Like Raman Munjal Memorial Hospital & Raman Munjal Vidya Mandir. Free health care and medical camps are now a regular feature in the Hero Group's community outreach program. It has more than 5000 touch points through which it conducts its ‘*passport program*’ of relationship marketing.

#### **Customer Retention & Loyalty:**

Customer retention is the result of emotional bonding between the customers and the company. As it is well known fact that a satisfied and loyal customer brings three new customers, therefore companies try all their efforts to maintain good relations with its customers. They are providing value for their money & efforts, they are providing information about their actions, they are inviting them for feedback etc. The loyal customers return for follow up business without comparing the competitors. Customer retention helps in reducing operating cost of the company. It also saves customer acquisition or replacement cost. As they stay with the company and remain satisfied, they spread a positive word of mouth which ultimately results in high growth and profit and even helps in competition management.

**Channel Partnership:** Channel partnership creates a bonding between company and its middlemen. When a company has emotional bonding with its suppliers and middlemen it treat

them as its channel partners. These channel partners help in risk sharing as well as promotion of products. They take care of customers on behalf of the company. This channel partnership helps in keeping competition away which is the need of the present time.

### **RELATIONSHIP MARKETING STRATEGIES ADOPTED BY DIFFERENT COMPANIES:**

Companies are adopting various strategies related to its marketing mix (4Ps) for building relationship with its customers. A few of them are as follows:

**Innovation in offers:** Companies are always involved in innovation in the style and features of the products to satisfy the needs of customers. They try to provide more customized products as per the requirement and demand. For example Tata sky dish TV provides the facility to demand your favourite movie or serial to watch anytime.

**Free gifts:** Companies provide free gifts on special occasions to its loyal customers. They also do this for their channel partners.

**Customer care:** Companies are operating toll free numbers and also appointing customer care executives to handle any grievances or problem to any of its customers. Companies like Nokia has once taken back all its defective batteries, Maruti has shorted out the problem in its A STAR brand which shows that companies always try to build good relations with their customers that's why they do all their efforts.

**Discounts and loyalty bonus:** Companies provide discounts and loyalty bonus to its customers so that they can remain with the company. Automobile companies often use this strategy. Doctors also charge less on second or third visit of their patients. On bulk purchase and repeat purchase same discount offer is given.

**Ease of distribution:** Home delivery of goods and services and pick and drop facility is another way of building relationship. Maruti provides pick & drop facility for servicing of vehicle.

**Emotional campaigns:** Hero Motor Corp launched its new campaign 'Hum Main Hai Hero'. Earlier Bajaj launched 'Hamara Bajaj'. These slogans touch the hearts of their customers as they emphasize on HUM & HAMARA.

**Crowd sourcing for advertisement:** Crowd sourcing is not about finding answers but it is primarily about involving consumers in the process. Mahindra & Mahindra Company launched



its 'Spark the Rise' website which invited individuals, groups and organizations to submit their project plans for building better India.

**Customer engagement:** In 2009 Pepsico's potato chip brand Lay's called out to its consumers when it wanted to add some spicy, some unique flavours to its chips portfolio. The Give us Your Dillicious Flavour campaign saw 1.3 million entries. According to Deepika Warriar, Director-marketing, Pepsico India (frito lay india division), this historic consumer engagement programme was used to salute the ingenuity of Indian consumers & make them partner us in creating new flavours.

### **CONCLUSION:**

Today companies are facing cut throat competition. Customers are becoming harder to retain. They are smarter, more demanding, informative and price sensitive. They always try to compare the offers given by different companies. Therefore relationship marketing is the strategic tool to retain the customers by way of emotional bonding and managing the competition.

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