

RELATIONSHIP MARKETING: KEY COMPONENTS, IMPACT, APPLICATIONS, AND FUTURE DIRECTIONS

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Abstract

This paper examines the relationship between marketing research and literature to identify key components of effective relationship marketing. Major business impacts are explored for a variety of business settings. Applications of relationship marketing in for profit, non-profit, and membership organizations are explored. To address the changing business environment, the directions for future relationship marketing operations are examined in terms of managerial implications, international businesses, and technology-based approaches.

Keywords: Relationship Marketing, Business Environment.

1. Introduction

In the past, marketing focused on sales transactions. The continuous expense of acquiring new customers was high in relationship to the total sales. Customers were convinced to make a first-time purchase, but never developed a long-term connection with the business. Attracting new customers is one of the more expensive aspects of marketing. As a result, businesses had to invest significant funds to attract new customers but had little success keeping them. Without repeat business, organizations found the return on their customer acquisition costs to be prohibitive. In the short term, these transactional marketing methods may have been successful, but they were unlikely to create customers who were emotionally bonded and loyal to the product, brand, or company.

The advent of relationship marketing sought to transform the customer relationship with businesses. The purpose was to increase customer satisfaction and, ultimately, their retention. Relationship marketing shifted the focus from promoting a specific product to enhancing the entire purchasing experience. Businesses adjusted how they interacted with customers in terms of service, support, and problem resolution. By using social media and technology, businesses created an environment in which customers could experience a streamlined, personalized purchasing experience.

With today's changing business environment, it has become even more important for businesses to understand the key components, impacts and applications of relationship marketing. In order to compete globally, it is essential for businesses to understand future managerial impacts, uses of technology, and ethics on global business practices using relationship marketing principles.

2. Literature review

While businesses recognize that traditional transactional marketing is important, organizations are now focused on creating and enhancing the customer experience. During the past decade many researchers have studied the components of relationship marketing. Specifically, they have attempted to isolate the key relationship marketing factors that have the greatest positive impact on sales.

Chattananon and Trimetsoontorn (2009) identified trust as the key factor related to successful relationship management in steel pipe firms in Thailand. They determined that without trust businesses were unlikely to build customer loyalty. After interviewing 15 sales managers, they determined that four factors contributed to establishing a strong relationship with customers. While they mentioned trust as an important factor in relationship management, the managers also identified bonding, empathy, and reciprocity as critical components. They believed that customers need to feel a personal connection with the business and believe that their unique challenges must be understood by the sales representative. They also noted that they wanted to know that there was a mutual benefit for them as customers to conduct business with the supplier. This empathy and reciprocity fostered a strong feeling of trust between the customer and business supplier.

Heffernan, O'Neill, Travaglione and Droulers (2008) also note that trust is the main factor that positively impacts successful relationship marketing in banking enterprises. Specifically, they identified dependability, knowledge and expectations as contributors to building trust between customers and businesses.

Firdaus and Kanyan (2014) similarly observe the importance of trust in successful relationship marketing. In studying the food service industry they created a 31-item instrument to identify key dimensions of positive relationships. Customers initially identified communication, trust, empathy and commitment as the most important factors in helping create a strong emotional connection to a business. On confirmatory analysis, Firdaus and Kanyan (2014) determined that all four factors were positively correlated to customer loyalty. Customers need to receive understandable communications, feel confident in the business, feel reassured that the business understands their challenges, and experience excellent customer service.

Raggio, Walz, Godbole and Garretson Folse (2014) determined that gratitude was an important component in the relationship between buyers and sellers. Through in-depth interviews with both buyers and sellers, they determined that expressions of gratitude were vital to building and advancing business relationships with customers. Customers feel more connected to an organization when their business is acknowledged and appreciated.

Finally, Ostergaard and Fitchett (2012) observe that in successful relationship marketing, social relationships are formed. Customers experience both real and imagined relationships with businesses. Businesses must not only deliver products, they must foster these relationships based on good customer service, trust, and dependability. People must feel confidence and appreciation in their dealing with a business.

3. Impact

Given the effort and resources committed to relationship marketing, much emphasis has been given to determining the actual impact of building relationships with customers. Does relationship marketing really positively impact a business' success?

Bush, Underwood and Sherrell (2007), note that businesses with strong customer relationships benefit from their customers' willingness to pay a price premium. When customers feel a positive connection with a business, they are less likely to switch brands when prices are increased. Loyal customers place a value on their relationship with a company and will remain customers in spite of price increases.

Miquel-Romero, Caplliure-Giner, and Adame-Sánchez (2014) also observe the powerful relationship between excellent customer service and customer feelings of satisfaction, trust, and commitment. They established that once customers feel a positive relationship with a company, they are more willing to purchase other categories of merchandise from that company. They note instances of store brands where customers feel a connection to a business after buying one type of product and then transfer those feelings when offered other categories of merchandise. Relationship marketing appears to be transferrable to other types of merchandise once the emotional connection is made with the customer.

Khojastehpour and Johns (2014) comment that businesses with strong relation marketing success are able to transfer those trust, communications, service and empathy qualities as they expand their businesses into the international marketplace. The value of strong relationships with customers can be an important component to each step in the internationalization process of an expanding business. Customers in every country want to experience excellent customer service, clear communications, and trust when dealing with a business.

Ndubisi (2007) suggests that customer loyalty can be created and, more importantly, retained by businesses. He notes that businesses that build trust, are committed to good service, resolve problems quickly and communicate in a timely fashion are likely to retain customers over long periods of time. Relationship marketing can sustain a business by keeping satisfied customers.

Harridge-March (2008) observes that direct marketing is positively impacted by a strong relationship marketing approach. The combination of relationship marketing enhances sales in direct marketing businesses. By establishing and growing personal connections with customers, direct marketing firms were able to attract and retain customers. These loyal customers improved sales in these businesses.

Hau and Ngo (2012), observe the importance of trust and bonding with customers in building new businesses in Vietnam, a developing country. They determined that customers have significant need to trust businesses from which they make purchases. They also appear to value

a strong, personal bond with the company. With the presence of trust and a bond with customers, businesses in this developing nation experienced strong sales and growth.

4. Applications

Applications for relationship marketing have been explored in many areas of business. While the importance of relationship marketing in sales-oriented businesses is well known, other entities such as for-profit, nonprofit, and membership organizations can also benefit from strong relationships with customers.

Henneberg and O'Shaughnessy (2009) comment on the value of relationship marketing in political organizations. The researchers note that there has been a rapid decline in political participation. Henneberg and O'Shaughnessy (2009) note that applying the relationship marketing framework to political organizations can have the same positive outcomes that traditional transaction-based sales businesses have experienced. By forming personal bonds with political organization members and establishing trust and clear communications, one can build loyal party supporters in much the same way that businesses retain loyal customers.

Other membership organizations also observe similar results. Vincent and Webster (2012) note that membership in an Australian wine club benefitted from proven relationship marketing strategies. They discovered that trust, satisfaction and commitment were vital in maintaining their membership rolls over time. When members felt confident in their organization and were satisfied with the services and communications received, they tended to remain active with the club for longer periods of time.

Prentice and King (2011) observe similar results in the vacation industry. They employed relationship marketing principles and were able to form long-term relationships with customers in casino gaming locations. Customers responded positively to feeling a close bond with the casino based on excellent customer service, trust and clear, timely communications.

Rupp, Kern, and Helmig (2014) observe the same positive results in nonprofits employing relationship marketing techniques. When dealing with stakeholders in nonprofit organizations, Rupp, Kern, and Helmig (2014) determined that high levels of trust, good communication, and bonding were important elements for long-term loyalty to the non-profit. People needed to feel that they had confidence in and commitment for the mission of the nonprofit. They also needed to experience timely and clear communications in order to experience a loyalty bond with the organization.

In for-profit organizations, the application of relationship marketing is also effective. Wang and Ha (2011) comment that retail stores could successfully employ relationship marketing and strengthen customer loyalty. Specifically, they found that retail establishments built perceived preferential relationships with customers by using direct mail, personalized communications,

and preferential treatment such as loyalty programs to increase customer satisfaction and retention.

Jusčius and Grigaite (2011) observe the same positive impact of relationship marketing in Lithuanian logistics companies. When managers employed strong communications, built trust and bonded with customers, they increased retention of customers and strengthened their businesses. Clearly, customers of all types of organizations respond favorably to relationship marketing methods.

5. Discussion for the future

The international business environment is rapidly changing. Relationship marketing has demonstrated value in for-profit, nonprofit and even membership organizations. People respond favorably to trust, good communications, excellent customer service, and feeling personal bonds with a business. Customers who trust and feel empathy and a commitment to a business will often remain loyal customers even when prices increase or other changes in the business occur. What are the implications for relationship marketing in the future? How will businesses have to respond?

Bonnemaizon, Cova and Louyot (2007) suggest implications related to relationship marketing for business owners and managers. They suggest that in the future business should focus on establishing greater employee bonding to encourage employee loyalty and reduce expensive staff turnover in much the same way that customers have been retained effectively. They also suggest that additional work must be done to enhance customer bonding. As more purchasing options are available to customers, businesses need to find ways to expand their bond with customers.

As businesses become more global, they need to revise their relationship marketing strategies. Nijssen and van Herk (2009) remark that building satisfaction, trust, and loyalty require some adjustments as international borders are crossed. Business owners need to understand the cultural and social aspects of building long-term customer loyalty.

Wang (2007) also notes the similarities and differences between western relationship marketing and Chinese *guanxi*, the concept of the social connections based on mutual interests and benefits. Wang (2007) notes that *guanxi* works from a personal point of view. While western relationship marketing is based on impersonal concepts, in China it must be a personal connection, trust and loyalty. To succeed in this market, businesses must adapt their marketing model to accommodate this important difference.

Madhavaram, Granot and Badrinarayanan (2014) see marketing as an evolutionary process. They suggest that as the business world continues to be more customer-focused, specialized skills related to relationship building should be considered as valuable organizational resources. Employees with these specialized skills related to communications, trust, and bonding should be appreciated and valued for the competitive edge they bring to the business.

Schäfer and Kummer (2013) predict the continued importance of effectively using technology to build relationships with customers. As more customers use technology to make purchases,

businesses need to be able to translate good customer service into the web-based marketplace. Customers use technology to conduct business because it offers convenience. Businesses need to provide even more value-added to the Internet marketplace for their customers.

Given a high-tech market place, Perret and Holmlund (2013) note the important need for ethics and responsibility in relationship marketing. They believe that ethics have been superficially addressed in relational marketing. Perret and Holmlund (2013) believe that in the future a renewed emphasis must be placed on ethical relationship marketing.

Lehtinen (2011) suggests that in the future businesses also should take the time to more effectively combine relationship marketing with other marketing strategies. Lehtinen (2011) proposes that businesses cannot afford to focus only on relationship marketing. Ways to effectively integrate relationship marketing with other marketing paradigms must be explored and implemented.

6. Conclusion

Relationship marketing strategies have been shown to be effective in building loyalty and retaining customers. Customers want to feel that they can trust businesses. Customers value excellent customer service and timely and clear communications. They feel loyalty to a business when they have an emotional bond with the business and feel that they are appreciated. Relationship marketing also brings a value-added service level to businesses. Businesses retain loyal customers even when prices rise. When companies expand internationally, the value-added of relationship marketing helps grow the business, but care should be given to accommodating cultural and social differences. As businesses move into the future, more thought should be given to building relationships with employees and recognizing their special skills that are needed in building relationships. More training should be given to employees and managers concerning the ethical implications of relationship marketing. Finally, successful businesses should find new ways to leverage technology in their relationship marketing strategies.

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