WHAT IS RELATIONSHIP MARKETING AND HOW TO USE IT TO CONNECT WITH YOUR CUSTOMERS

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Abstract

In fact, all demands and advances in customer satisfaction are the result of the technology and company developments. The companies that accept this and constantly create value for the customer provide a competitive advantage for themselves and for both sides the business potential. Getting new customers can be a very expensive process. This process includes considerable marketing costs such as advertising costs, sales promotion costs, PR, seller time costs etc. Therefore, every customer represents an investment for company. It has been proven that if a company treats its customers properly and they are loyal for a long time, they will bring more and more profits to the company every year. In this article, we focus on the relationship marketing that focuses on customer loyalty. Effective relationship marketing involves a variety of overlapping strategies and technologies that help foster a deeper, long-term relationship with current and prospective customers.

Key words

Relationship marketing, customer relationship building, CRM

INTRODUCTION

Nowadays, it is very important for companies to not only attract customers, but also retain them. It was not otherwise in the past. As early as in the 1930s, Bata created the first concept of relationship marketing in the world by promoting the customer's priority in the business relationship. His slogan “gave birth to the consistently applied relationship marketing, which was one of the factors of the Baťaempire's business success.

After all, no company would survive if their customer base doesn’t increase. Relationship Marketing revolves around the fact that the existing customers will make repetitive purchases, and thus contribute to the continuity of the company. Retaining a customer is a lot cheaper than attracting new customers. Rather than sales transactions, Relationship Marketing is a form of
marketing that focuses on customer retention and satisfaction. Moreover, it specifically focuses on the value of long-term customer relationships. Naturally, a ‘life-time’ customer database is extremely valuable. Modern Relationship Marketing is not just about social media, however; instead, it is about the complete customer journey. This is the journey that (future) customers take before purchasing a product and/or service. During their travels, they pass several so-called ‘touch points’ before they make a purchase, for instance, considering an initial visit to a website, clicking on other products, requesting additional information, and so on.

**REATIONALSHIP MARKETING**

Since the time of Baťa, almost all companies have put the central idea of the customer, the relationship with him and satisfying his needs in their credo. In a relatively linear form, we can read or hear: “We are preparing for you…”, “We have opened for you…” and so on. These external manifestations may give the impression that customer orientation - helpfulness, honesty and decency towards the customer, efforts to solve the customer's requirements or problems is a constant part of the company management tools. They can confirm the thesis that the better we treat the customer, the more successful we will be [1].

At the present time, we are at the end of the first quarter of the 21st century, where three current developments - globalization, technological progress and deregulation of the economic system - provide endless opportunities, but also a multiple competition. Experts talk about the so-called "new type of economy" based on information and knowledge, which has an impact on all areas of business, and hence on marketing. Particular customers come to the forefront with their needs, wishes and values, build a relationship with them and is offered tailor-made products [2].

However, market experience raises doubts about this credo. In practice, we encounter grumpy sellers, goods of dubious quality or after the expiry date, problems with complaints, unwillingness and disrespect for the customer. This represents a very frequent customer experience [1].

For this reason, any business keeps acquiring new customers. Earning a potential customer's attention, making a convincing pitch, and then facilitating the accompanying sale can lead to the huge expenses when every step is considered. According to the business authors Emmett C. Murphy and Mark A. Murphy, acquiring a new customer can cost five times as much as retaining an existing one [3].

This is a serious dilemma for many companies. Is it better to attract new customers with limited resources, or try to retain those they already have? According to the same authors, increasing customer retention by 2% can reduce costs by up to 10%. Not any company can survive and grow if it continues to increase the number of customers [3].

Many companies separate these two functions and devote different areas of their marketing department to the work on one or the other. New customers are considered transactional, because aim of the company to get them to buy, while the current customers require different strategies. In an effort to get up-to-date information on businesses, get involved in marketing about strategies that can make repeat business. While both types of customers need to be recognized and respected, the goal is ultimately to turn each new customer into a returning customer [3].

Customers buy a certain value or solution to a problem and are more interested in the total cost they have to incur to acquire, use and dispose of the product. They want products and services to be available as comfortably as possible. Finally, customers prefer a two-way communication over promotion. Summary of these marketing principles in the new millennium is the “relationship marketing”. It is a specific business philosophy that understands trade as a managed relationship, and product as a process. The basis is a thorough understanding and
understanding of the value-creating process of the customer, i.e. the process in which the customers create their own value for themselves. In customer relationships, the enterprise uses its own capabilities and integrated knowledge to support the customer’s value-creation process. Four levels of knowledge must be respected. Firstly, factual knowledge that reflects the level of knowledge in a given area of business. Secondly, skills that are based on the everyday use of factual knowledge. Thirdly, knowledge of the systemic context of action and the chain of its causes and consequences. Fourthly, an individually initiated creative action. Therefore, more important than the product itself is identifying those skills and knowledge that are needed to ensure a competitive advantage [4].

![Figure 1 Shift from traditional marketing to CRM](image)

The most important is not the sale of products through individual business transactions; it is important to develop the skills, knowledge and sales throughout the lifetime of the customer relationship [4].

We can say that relationship marketing is therefore an aspect of the customer relationship management (CRM) that focuses on customer loyalty and long-term customer engagement rather than on short-term goals such as customer acquisition and individual sales. Relationship marketing (or customer relationship marketing) aims at creating a strong, even emotional, branded customer relationship that can lead to continued business, free mouth-to-mouth advertising, and customer information that can generate leads [5].

Relationship marketing stands in contrast to the more traditional approach to transactional marketing which aims at increasing the number of individual sales. In the transaction model, the customer’s cost of return may be insufficient. The customers may be confident that they will choose this brand once, but without a strong relationship marketing strategy, the customer may not return to the brand in the future. While organizations combine the elements of relationship and transactional marketing, customer relationship marketing is starting to play a more important role for many companies [5].

In Fig. 2, we can see that the effective relationship marketing involves a variety of overlapping strategies and technologies that help foster a deeper, long-term relationship with current and prospective customers.
Figure 2 Strategies and technologies that help foster a deeper, long-term relationship with current and prospective customers [5]

REACHED RESULTS

Relationship marketing is based on the tenets of the customer experience management (CEM), which focuses on improving customer interactions to foster better brand loyalty. While these interactions of relationship marketing can still occur in person or over the phone, much of the relationship marketing has taken to the Web [5].

With the abundance of information on the Web and flourishing use of social media, most consumers expect to get an easy, tailored access to the details about a brand, and even expect the opportunity to influence products and services via social media posts and online reviews. Today, relationship marketing involves creating an easy two-way communication between customers and the business, tracking customer activities and, based on those activities, providing tailored information to the customers [5].

For example, an e-commerce site might track a customer's activity by allowing them to create a user profile, so that their information is conveniently saved for future visits, and so that the site can push more tailored information to them next time. Site visitors might also be able to sign in through Facebook or another social media channel, allowing them a simpler user experience and automatically connecting them to the brand’s social media presence [5].

Every relationship marketing must learn the basic concepts of the relationship marketing and implement this strategy in the business. The main idea of relationship marketing is to create customer loyalty. The relationship marketing method differs from the company's short-term goals, such as one-time sales or the cost of acquiring a new customer. The main idea of relationship marketing is to create customer loyalty, increasing involvement and long-term relationships with consumers. Individual sales and customer acquisition are both vital to growing and sustaining the business. However, a company needs to focus on customer retention with just as much energy and drive. In Figure 3, we can see the most important driving forces affecting the customer to buying product [6].
Ultimately, relationship marketing can help lower customer's acquisition cost. If the existing customers love company, they will promote the business through the word of mouth. Basically, it turns into free advertising for the company. Being personable with your customers can go a long way toward building positive relationships with them. It’s a key attribute for the top relationship marketers because it stimulates an emotional response. In Figure 4, we show you how to effectively use relationship marketing to connect with your current customers. Let’s take some of the most important numbers from Figure 4. Essentially, the buyers who do not see a personal value will not pay a higher price for a product or service. On the flip side, the consumers who see a personal value are much more willing to pay higher prices. So we can state that you can charge more money if your clientele consists of a long-term customer base that you’ve developed a personal relationship with [6].

**Figure 4 Business Value vs. Personal Value [6]**
The next important step is that when companies connect with customer emotions, then the return can be huge. The research of a Harvard Business on hundreds of brands in dozens of categories shows that it is possible to consistently measure and strategically target the feelings that drive customer behaviour. We call them "emotional motivators". They provide a better measure of future customer value for the company than any other metric, including brand awareness and customer satisfaction, and can be an important new source of growth and profitability. Figure 5 illustrates that as the customer relationships with a brand deepen, they move along the pathway toward full emotional connection. Although they become more valuable at each step, there is a dramatic increase at the final one [7].

![Figure 5 Customer value in relation to highly satisfied customers [7]](image)

Over the last 30 years, we have seen the consumer transformation from a segment of the population to an actual individual. In the old Mad Men days, marketers only had hammers and would develop broad messages that we pushed out to all consumers using mass vehicles like print, radio and TV [8]. But in this new age of customer centricity, customers know how, where and when they’d like to be engaged with their favourite products. They have many channel options open to them, and they expect a unique and unified products experience across all these channels. That’s quite a challenge for anyone in manufacturing industry [9].

**CONCLUSION**

After a thorough analysis of the relationship marketing in this article, we can say it is evident that relationship marketing, if utilised appropriately, can lead to significant potential benefits. Such benefits include positive word of mouth recommendations to future customers as a direct result of customer loyalty, greater cost savings for business as well as customer retention – all of which translate into higher profits and improved overall functionality of company. The adoption of a relationship marketing approach involves a great challenge for the firm, since it means a different way of understanding the marketing strategy, the market and the approach to the customer. Above all, company must be able to communicate this strategy to its staff, and ensure that the relationship marketing strategy is fully embraced and the organisation fully aligned to it in order for the business to face the multitude of challenges for the future, and thereby develop their competitiveness.
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