

Contemporary Marketing Or Temporary Marketing? : An Analysis Of Present Day “Relationship Marketing” Of Indian Organizations

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ABSTRACT

Customer relationship is the buzz word in marketing these days. Every organization sets its mission to treat customers as the most important stakeholders of a business. Several programmes are drawn to satisfy and delight the customers. Given the competition that exists in today's environment, every organization comes out with novel programmes to delight the customers. All these innovative programmes, copied by the competitors in no time, lose their value within months of introduction. The contemporary relationship styles remain temporary styles for attracting and retaining customers. What is then that endears the customers to you in the long run? The present paper examines various customer-friendly programmes that companies dish out, and the reactions of the customers to these Relation building programs in the last six years. The article also examines the long-term effects of the present-day relationship marketing.

Keywords: Relationship Marketing, Contemporary Marketing, CRM Practices, Social Media

INTRODUCTION

The term 'relationship in selling' is not a new phenomenon, but has been existing since centuries, when even small storekeepers depended on the relationship with their customers for business. Creating satisfied customers at a profit was deemed to be the prime role of good organizations. As Peter Drucker opined, "it is the customer who determines what a business is and the purpose of the firm is to create and keep customers." The customer, in reality, is the king who makes the difference between success and failure (Rao and Prasad, 2011).

EVOLUTION OF RELATIONSHIP MARKETING

Academicians and marketing consultants have been promoting the idea of focusing on the organization's best and prospective customers to retain and grow the business. Organizations have started to concentrate on developing methods to establish long-term relationships with loyal customers and converting transactions to relationships. The businesses agreed that acquisition costs are far greater to retention costs and in the long term, are more profitable. Garth Hallberg in his book “*All Consumers Are Not Created Equal: The Differential Marketing Strategy For Brand Loyalty and Profits*” argued, quoting his research, that a minority of the customers (10 - 15 %) generate a majority of the sales and profits and ,therefore, the need to care more for certain segments of the customers. Peppers and Rogers (1994) popularized the concept “one to one”, stressing the need for differentiating the customers and not just the products. “The more relationships the customer has with the firm, higher the real and psychological switching costs and greater the profits. The more relationships the firm has with the customers, more the firm has an opportunity to learn about customer behaviour. Good predictors are even better with behavioral data” (Staelin, 2006). Therefore, one would definitely agree that constant follow up would be required with the customers to know their tastes & desires and to devise ways of satisfying them.

Never the consumers had so much choice. You can buy whatever you want, whenever you want from hundreds of suppliers. Because of the fierce competition and the efforts of organizations to improve their performance over the past few years, the service is generally good too. But good is not good enough. To get the 'share of mind' that Angela Ahrendts talks about, you have to be different from your competitors - in fact, you have to be dramatically different. You have to relentlessly differentiate if you are to win (Smith, 2011).The need is felt more in modern times by the marketers with the inundation of brands in every possible category of goods and services.

Customer retention is the “buzz” word. With the globalization trend in most of the countries, the number of players participating in the market has also gone up along with the increased purchasing power of the consumers.

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THE USUAL CRM PRACTICES

The major strategic purpose of CRM is to manage, for profit, a company's relationship with the customers through the three stages of the customer life cycle viz. Acquisition, Retention and Development (Buttle, 2009).

Major customer retention strategies revolve around similar CRM practices adopted by the competitors in the industry. Almost everyone tries to delight the customer by doing things which go beyond the normal expectations of the customer. As Noriaki Kano puts it, a customer can be delighted in two ways:

a) By enhancing the linear qualities beyond expectation.

b) By creating innovative attractive qualities.

The usual practices for delighting the customers through value additions are: loyalty schemes, customer clubs and sales promotions.

❖ **Frequent Flyer Programs** : Almost every normal fare airlines and a few low-cost carriers have adopted the point reward system through frequent flyer schemes on different scales. Members flying on the airline get special privileges on specific trips and certain hotels. In fact, even international airlines such as British Airways, Emirates and Singapore Airlines (to name a few) have extensive arrangements with the Taj Group of Hotels for its members, which include discounts on room tariffs, upgrades and other special facilities. Similarly, Jet Airways has agreements with Leela Hotels to provide early check in and late check out and complimentary use of its health club to the frequent flyers.

❖ **Loyalty In Retail** : With the Future group starting the membership schemes for the repeat buyers in their stores, the retailing industry is witnessing a heavy use of membership card schemes by the merchants. Lifestyle introduced a loyalty program called the “Inner Circle”, while Pantaloons offers a “Green Card” to the repeat customers. In fact, the “First Citizen” from Shoppers Stop has come out with a credit card from Citibank as the First Citizen Citibank card to offer extra credit to its customers apart from the goodies available to card members. Reliance retail also introduced the Reliance card (free of cost), in which points can be accumulated and later exchanged for coupons.

❖ **Loyalty In The Hotel Industry**: The loyalty programs generally are not based on the point system, instead, such programs provide more facilities to its regular customers. Upgrades to better rooms, filling the fridge with items that customers generally prefer and special discounts are some of the rewards hotels provide for loyal customers. Some go to the extent of providing rooms painted in their (the guests') favorite colors and the curtains and the bed spreads are chosen to match the room atmosphere.

Hotels like the Taj Group Of Hotels and the Trident provide point systems for rewarding their customers. Thus, the hospitality industry works on loyalty programs in the following manner : Points based programs, where the points can be exchanged for a number of days' stay or points can be used for other benefits or the guests' preferences are captured, retained and communicated throughout their stay or are used to enhance the value during future visits.

❖ **Loyalty In The Telecom Industry**: Tata Indicom, Reliance, Vodafone, and other telecom operators have individually devised plans to retain their customers. The loyalty programs vary from giving cash prizes to updating them with latest news and offers. Some of the telecom operators have given their agents attractive prizes, including foreign trips for promoting their business and for remaining loyal. Some telecom companies offer M-Coupons to buy items at Dominos, Life Style and Barista. Airtel has got special schemes for its loyal customers.

❖ **Loyalty In The Indian Railways Department** : Even railways, in spite of being a monopolist in India, have carved out ways of delighting its customers. It has come out with a scheme called *Subhyatra*, which also offers a co-branded SBI railway credit card. This offers free platform ticket as well as the facility to book online and pay through a credit card. There are point systems for such bookings in A/C except the 3 tier, which can be encashed against further bookings.

❖ **Loyalty In The Banking Industry** : The importance of maximizing the life time value of the customers cannot be stressed better in any other industry. Various survey results show that even a 5% increase in retention rate brought a nearly 30 % increase in profits and approximately 85 % increase in deposits. That is the reason that all the banks are showing a keen interest in retaining existing customers by offering lots of customer-friendly programmes. Pre-approved loans for buying products at concessional rates of interest, joint ventures with other credit-card companies and supermarkets to facilitate customer buying are some of the programmes that the banks are adopting.

Many organizations also use affinity programs as a tool to develop relationships with customers. An affinity program is a marketing effort sponsored by an organization that solicits involvement by individuals who share common interests and activities (Boone and Kurtz, 2005). Under this arrangement, a person can sign for a card (mostly, credit card) emblazoned with the logo of a favorite sports person, a celebrity, or a photograph of one's college. This actually entails the customers to avail special offers of celebrity shows or college functions and also brings together bonhomie among the people who share the same interests.

❖ **CRM And Social Media:** According to Jon Ferrara : "We are using Facebook, LinkedIn, Twitter, Outlook address book, Google contacts... with Nimble, we let you keep doing that.....ultimately, I believe that life is social, business is social and people buy from people who like and like people to know them and what we are doing is helping people to know each other better."

"Social media is really nothing new; it's just an electronic way to look and see people's walls to build those connections. The tools that are developing today are trying to empower companies to listen, engage and more effectively leverage these new highways, bringing it back to the old school big "R" in CRM, relationships because really the root of CRM is contact management."

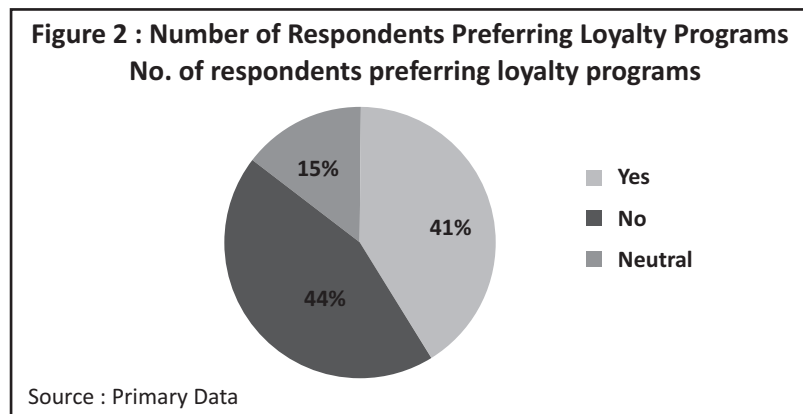
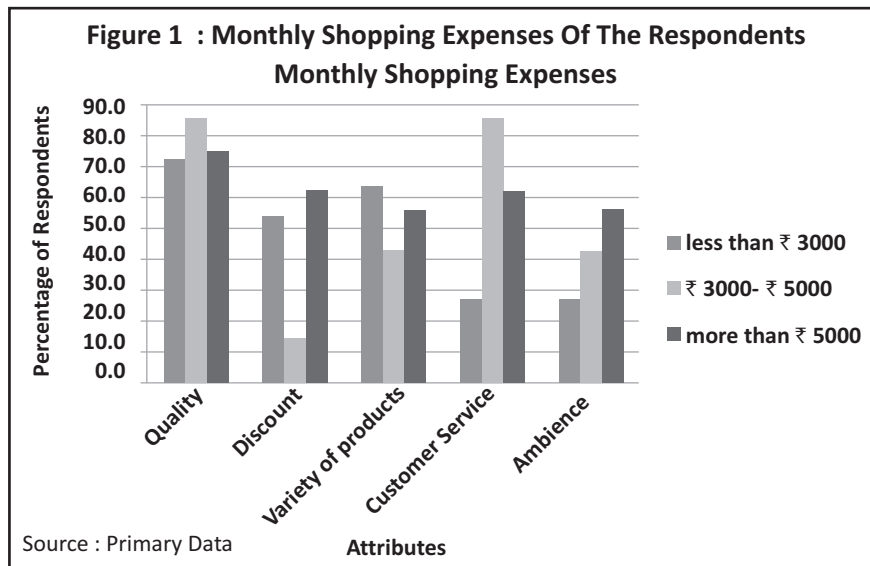
These days, organizations believe that they can easily reach out to the customers and know their needs through social media. Many organizations have started their CRM initiatives through popular social media sites like Facebook, Twitter, etc. However, it is too early to suggest that these initiatives would result in long-term relationships.

THE RESEARCH FINDINGS

But given the dynamism in customer behaviour, will any or all of these ideas help in retaining the customers on a long term basis? This required an extensive survey to find out whether the contemporary ideas in retaining customers for a long term are indeed effective or are only short term incentives? The following are the excerpts from the survey results. The sample contained working professionals, home makers, shopkeepers as well as managers of reputed malls. The questions basically tested the loyalty factors and various loyalty programs. While the shopkeepers were asked about the various loyalty programs they practiced to keep the customers, the buyers were questioned about the effectiveness of such programs, and whether the actions taken by the sellers really make the buyers their loyal customers in the short and long run. The survey was conducted for convenience products and durables separately, as the basic assumption was that convenience products which are bought frequently had a better chance of determining the true value of loyalty programs than the durables. At the same time, to determine whether brand loyalties lead to loyalties towards a particular shop, a sample was also considered desirable for durables. Respondents made monthly purchases ranging from ₹ 1000 to ₹ 28000.

Many respondents, when asked what made them stick to a shop or mall, replied that nearness to their place of residence was one of the main factors. Then the respondents were asked to prioritize the various parameters viz. Quality, Discounts, Variety, Customer Service and Ambience, as their preference in choosing a particular place for shopping. 80 percent of the respondents chose quality as a factor and nearly 62 percent said that they were not attracted to a shop because of the discounts offered by the seller. 61 percent felt that variety could be an important factor in choosing a particular place. Surprisingly, nearly 45 percent felt that customer service was not a big factor, while nearly 60 percent did not give any importance to store ambience. Respondents who preferred discounts over other parameters were the ones whose monthly purchases were in the range of ₹ 1000 to ₹ 3000. They also preferred variety as one of the important factors in the shopping place. As observed from the Figure 1, quality was considered to be of prime importance, especially from customers who shopped between ₹ 3000 to ₹ 5000 rupees every month, while they were not interested in the discounts that were offered. Customer service was of utmost importance in this category. It is also possible to assume from these survey result that those consumers who were buying goods of less than ₹ 3000 every month did not attach much importance to either ambience or customer service, instead, they wanted variety in the store they visited.

Nearly 59 % of the respondents had no preference for the present-day loyalty programmes (Figure 2). 67 percent of the respondents said that loyalty programmes had no relevance and while some programs made them happy, they never made them loyal. They were more loyal to quality and consistent price and store brand rather than any discount or loyalty cards. In fact, many of those who received loyalty cards from the current place of shopping said that they would change loyalties if someone else offered them a better loyalty program! As such, loyalty cards have only given way to



spurious loyalty and not a genuine one.

Do all these contemporary marketing strategies develop long term loyalty? Customers are generally attracted towards schemes that benefit them temporarily. While they remain loyal to various schemes, their loyalty towards a particular shop or super store very much remains an illusion. The ambience, price schemes or loyalty cards are temporary inducements to buy certain goods, but these incentives do not build long term loyalty. The factors for building permanent loyalty could be sustained quality brand and personalization. The day to day interaction with customers seems to be a necessity in order to develop relationships (in order to achieve this, the giants like Carrefour and Wal-Mart are now trying to go for smaller -but a chain - numerous stores covering the area which is presently served through huge malls).

CAN SMALL BE EFFECTIVE IN RETAINING CUSTOMERS?

"Carrefour, one of the biggest hypermarket chains in Poland, is planning to conquer local markets with new, smaller retail outlets. The French company, with hypermarkets usually located on the outskirts of city centres, has decided to change its strategy and move to suburbs and towns, an area currently dominated by Portuguese discount chain Biedronka. Carrefour's target is to open 100 supermarkets a year, most of them small shops. So far, the French company had only 40 small shops, mostly in urban areas. If Carrefour manages to realize its plan, in five years, it will have 850 retail outlets all over Poland, including 500 new ones" (Lubera, 2010).

Similarly, big Indian supermarket chains are planning smaller stores for better customer retention. With the small store mom and pop format, most FMCG companies have seen their sales grow in India. This is despite an otherwise gloomy economic environment in India and the world. Given the performance and potential of the Indian retail market; it

continues to be a top priority for most FMCG companies. However, in order to win in this market, it's important to keep winning in the small store format and in Rural India as that is where most of the category growths will come from" (www.FasTracKids.com/India). One of the reasons that the current players are planning for small stores could be to have better customer relations for a longer term. Apart from temporary discounts and gifts, customer would like these shops to develop schemes that will keep them with the stores for a longer time.

ONE FINAL WORD

Maybe, the shops will have to come out with long-term strategies to keep their regulars for a long time. Otherwise, all these contemporary marketing schemes would remain temporary. As of now, the contemporariness in having long term relations seems to be in maintaining great quality and catering to different generations (their habits, interests and wants) of regular customers.

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