Fundamentals of Marketing

Instructor’s Handouts

Chapter 12

Relationship Marketing and Customer Service Management

Chapter Objectives

- Nature and applications of relationship marketing.
- Analysis of relationship marketing within the business-to-business sector
- Increasing knowledge of service quality as a strategic variable of marketing
- Assessing quality measurement systems for perceived service.

12.1 The Concept of Relationship Marketing

- The relationship marketing concept goes beyond the business exchanges of any organization and includes its employees, suppliers and distributors.
- Relationship marketing is a strategic approach focused on keeping and enhancing current customers instead of aiming efforts to the gaining of new customers.
- This philosophy is based on the assumption that customers would prefer to long-term relationships with a company rather than continuously change suppliers in the search for added value.

12.2 Differences between Transaction Marketing and Relationship Marketing

Transaction marketing	Relationship marketing
Short term perspective.	Long term perspective.
Goal: Gain customers (Obtain short term benefits).	Goal: Keeping customers rather than gaining new ones. Generating long term benefits.
Search for individual transactions.	Developing and maintaining continuing relationships for both parties.
Emphasis on product. Slight differentiation	True market approach
A philosophy of rivalry regarding suppliers, competitors and distributors.	A relations and mutual cooperation among organizations philosophy.
The marketing function only takes place in the Marketing Department	The marketing function takes place throughout all of the organization.
Weak emphasis on customer service	Strong emphasis on customer service

12.3 Types of Customer Relationship

Type of relationship	Description
BASIC	There is no company-customer relationship. The relationship is limited to specific times although new transactions may take place in the future
REACTIVE	The company promises to react in case of any problem the customer may have.
FOLLOW-UP	The company contacts the customer following the transaction so as to determine the satisfactory delivery of product or service.
PROACTIVE	The company periodically contacts the customer for product or service updates, to improve its services and offer support services to enhance customer satisfaction
ASSOCIATIVE	The company and the customer work together so as to find solutions to problems and jointly seek opportunities.

12.4 Relationship Marketing Advantages

- Customer loyalty to the company, because the company knows him, supplies products he is interested in, and saves him time and effort.
- It is not necessary to offer discounts to keep the customer. He is interested in continuing the relationship due to the level of satisfaction it affords him.
- Costs of acquiring customers are drastically reduced as more effort is aimed at keeping existing customers than to the finding of new ones.
- Inventory costs go down, since there is almost no storage. The product is sought at the time the customer orders it.
- Service costs decrease, because the client is known and it is easier to satisfy him.
- Benefit increase through cost reduction has been estimated to be up to 42%.

12.5 Key Factors in Relationship Marketing

a) Giving up the transaction orientation
b) Customer retention
c) Providing value through products and services
d) Long Term Outlook
e) Emphasis on customer service
f) A high level of commitment with the customers
g) Continual contact with the customers
h) Proactive communication

12.6 Measuring Scales for Service Quality

- The Servqual scale attempts to measure the quality of service as the difference between expectations and perceptions of the customers. This method contains 22 items grouped into five dimensions: reliability, tangibles, responsiveness, assurance and empathy.

- The Servpref scale has 22 items which act as indicators of the different dimensions or criteria considered by the customers when evaluating the product.

12.7 Bases for good Customer Service Management

- Identifying customer expectations. What is it they want and how do they want it.
- Comparing the provision and features of the current service with received expectations and determining what aspects are not being met.
- Communication with customers: it must be permanent, multidimensional, and constantly fostered.
- Information on the customer must be accessible to the entire organization, although in a special manner to the employees which have a closer relationship with the clients.
- Customer satisfaction is the responsibility of the company as a whole.
- Customer problems are solved by granting authority to employees to act in the customer's benefit, within certain limitations.
- Customer needs must be interpreted by the entire organization using permanent and dynamic feed-back mechanisms along with a good interfunctional coordination which enables response capacity.