

Relationships Marketing

A Search For

Competitive Edge

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ABSTRACT

Customers can help organization achieve one thing "success" or "failure". Why should a company interact with its customers? The answer to this question reveals the organization's underlying assumptions about customer relationship. Information technology revolution has made mass interaction and customization practicable, paving the gateway for relationship marketing. Relationship experiences come along with the products that customers buy. The firm's competency to create and maintain relationship with their customer is a durable basis for competitive advantage. The relationship paradigm of management needs conceptual and practical insights. The paper presents the conceptual and practicability aspects of relationship and the strategic implications. It analyses the relationship experiences at Hero Honda Motors, a company that believes that its greatest source of strength is relationship. The relationship dimensions and product-relationship framework provides context for building organizational strategy.

INTRODUCTION

Relationship with customers is important because when we say a company grows, it is in terms of the customers and the stakeholders. In today's competitive world where there is cut throat competition, maintaining customer loyalties and satisfaction are becoming critical for business firms. Customer relationship management is promising to change the infrastructure of major corporations and transform the marketing world. Many researches have subscribed to the growing significance of relationship with customers and other key stakeholders (Duncan and Moriarty, 1998; Sheth, Sisodia and Sharma, 2000).

Technology innovations are making practicable direct relationship with the people using its products and services. New media is bringing business framework where mass marketing is less important and one-to-one marketing is becoming much more important. Internet, at present, enhances linkages and interactivity. It makes relationship marketing more practicable by enabling organizations to build one-to-one website. Internet provides access to customer profile, a platform for interaction and avenues for instant feedback. Instant feedback is critical for relationship marketing. Comprehensive yet research-friendly database and the Internet are two technologies that allow companies to create relationships with customers in ways they may have never imagined in the pre-technology age (Berger and Melanie, 1998). The dimensions of relationship that are important for relationship marketing is the depth of relationship, the basis that should maintain the relationship

and the type of relationship either win-win or win-lose.

THE COMPETITIVE ADVANTAGES OF RELATIONSHIP MARKETING

Relationship marketing is grounded on the idea of establishing a learning relationship with each customer, starting with the most valuable ones (Pine II, Peppers, and Rogers, 1995). Company achieves learning relationship with the customer such that with each interaction the company learns. The learning relationship is entry barrier for competitors. The organization gains the advantage of starting early while pitted against the competitor. So competitor has to invest time and resources to cope up the learning relationship. Customer satisfaction is based on overall evaluation, so it includes the learning experience. The overall experience has a history and that way each customer has a history of experiences with the organization. So relationship marketing fixes a learning relationship and the relationship gets smarter with each interaction. In a country like China maintaining personal relationships or *gaunxi* is one of the critical aspect that enable entry and business.

Researches have supported that relationship marketing build competitive advantage (Li and Dant, 1999; Ganesan, 1994). Relationship marketing enhances the sustainability and growth prospects of the organization through strong customer bonding. Relationship transcends brand loyalty. The new concept about branding is a brand is ultimately a relationship, and customers experiences shape up that brand. Loyalty is the combination of two key elements: level



of customer satisfaction and positive brand association the companies must realize at what stage of relationship they are with the customer. To help develop brand relationship, creating a culture around a brand is recommended (Rasmusson, 2000). A hallmark of paradigm shift in both marketing and communication is interactivity. In business, non-personal communication must be supplemented, especially in business-to-business and service categories, by personal customized communication (Duncan and Moriarty, 1998). The new strategic tool for staying competitive is to provide customers with the tools they need to interact with the company in the way they want to.

According to Bleeke and Ernst (1993) many multinational companies are realizing that they must collaborate to compete. Relationship marketing is part of the emerging "network paradigm" which recognizes that global competition occurs increasingly between networks of firms (Thorli, 1986). According to Morgan and Hunt (1994) being an effective competitor, especially in the global context, requires the firm to be a trusted co-operator in some network. Firms should not intrude the privacy of the customers while establishing the relationship because it would defeat the very purpose of relationship marketing.

RELATIONSHIP STRATEGY

Organizational strategy is to position the organization at a defined place in the business environment. A firm may

practice strategy like focus, cost leadership, differentiation, or any other strategic choices. The strategy is myopic if the firm's strategy doesn't integrate a relationship framework to support, guide and validate the strategy. Organizational strategy that is distanced from a customer relationship framework would position itself at a wrong destination in the business environment, and this fact would be more certain today, in the era of convergence and information superhighway that has witnessed exponential growth in customer awareness. Customers are in a realistic position to evaluate not only the product but also the relationship experiences. The changing scenario has brought about a shift in the customer frame of reference: the convergence of product and relationship experiences. A firm's product is tied with relationship experiences. So customer buys product along with relationship experiences. The irony is that firms have not been giving due attention to the relationship experiences such that many firms are delivering products unmindful of the relationship experiences. Customer relationship management is not a strategic choice, it is a part that is embedded in the strategy. The relationship experiences have dimensions. The dimensions can be broadly categorized in terms of relationship delivering capacity ranging from transactional relationship to high and long-term relationship. Organizational strategy takes into account the dimensions of relationship, experiences of the organization, the need to deliver along with the product to the customer for achieving

organizational objectives. The broad categories are transactional relationship, satisfactory relationship and long term and high relationship.

Transactional relationship

Transactional relationship is reactive. The relationship orientation is more system and less people, which is especially true when the customer base is large and the organization is intricate. A system needs to be in place to perform and record the routine transactions, including customer related information that helps the company continuously improve its performance. Transactional relationship is highly structured and characterized by predefined criteria. So the system can be computerized and to a great extent the customer interaction can be programmed. The system entails check and balance to benefit customer criteria and the relationship context. Transactional relationship aids the organization in creation of relationships. It initiates a learning relationship. The relationship put in place competitor entry barriers. The organization gains the competitive advantage by placing itself in a higher position in the customer learning curve. Transactional relationship is applicable where the customer base is so large that personal touch would not be practicable, for example, end users of organizations in the fast moving goods sector. However, to move up the relationship value chain, the organizations need to adopt innovative ways to be in personal touch with its customers, because it is the man that cultivates trust and commitment in the relationship not the hardware and software.

Satisfactory relationship

To move up the relationship value chain, from transactional relationship, the organization is proactive and accountable. Organization is not just reactive but proactive for customer feedback and put in place accountable approach for customer zero dissatisfaction. The company reaches out the customers for information about product or service-improvement suggestions and any specific disappointments for continuously improving its performance. The relationship context is not just establishing a customer interaction framework but also be accountable for customer zero dissatisfaction. Marketing concept holds that the organization identifies the needs and wants of the customers and satisfies it better than the competitors. Satisfactory relationship is proactive. To achieve satisfactory relationship the customer feedback is put to practice to eliminate dissatisfaction or to achieve customer zero dissatisfaction.

Relationship this far is a zero sum game. Neither the company nor the customer is gaining anything extra because it is the maintenance of the hygiene factor, the deficiency of which will cause customer dissatisfaction. It is the maintenance of the marketing function to identify the needs and wants of the customer and satisfy it better than the competitors. Thus organization that doesn't put in place a satisfactory relationship is in fact practicing the selling concept, not the marketing concept. Satisfactory relationship is something that a customer expects and the organization entails satisfying it, because a dissatisfied customer migrates. Breakthroughs in technology, especially

in the field of information technology have enhanced the capability of company, and side-by-side, the customer expectations and availability of information has been democratized. Today many a practitioners of marketing, and theorists have questioned the validity of marketing theories. Instead of running for quick fixes, the company need to examine whether the organization enjoy satisfactory relationship with its customers.

High and Long term relationship

Trust and commitment are recognized as essential ingredients for successful long-term relationships (Gabarino and Johnson, 1999; Geyskens, Steenkamp and Kumar; 1998). According to Gabarino and Johnson (1999) 'overall satisfaction' is the primary mediating construct for low relational customers, while high relational customers use 'trust and commitment'.

Long term relationship is win-win game. The relationship is symbiotic. The organization strives for the development of the stakeholders, especially its customers, and the committed stakeholders contributes to the growth of the organization. Here, both the stakeholders and the organization gains in the long term. So long term relationship management is strategic. High relationship is built on high integrity and ethics platform and entails top management's unstinting commitment and support. Top management's commitment to relationship transcends relationship mindset and attitude in the organization. A company cannot acquire relationship competency from the market by installing packages. Customer relationship management is not a tool, it is an attitude. The software and hardware aspects of relationship management are just facilitators. Relationship marketing is a practice and it has to be practiced by the people of the organization. There cannot be a big bang approach for relationship marketing. The organization may have to not only reengineer the corporation but also more importantly, reengineer the mindset of its people.

PRODUCT-RELATIONSHIP FRAMEWORK

The product-relationship framework can have four broad contexts based on the degree of quality of product and the relationship experiences (Figure 1). Each of the context has diverse implications on the firm's future.

Figure 1: Product-Relationship Framework

		Relationship	
		Low	High
Product Quality	Low	Survival	Process Turnaround
	High	Attitudinal Turnaround	Strategic

Low Product Quality and Low Relationship

The firm needs to put in place a survival strategy. Product quality and relationship have synergistic relationship and the low product quality and low relationship would generate negative synergy. There is no place for the firm in such a highly competitive business environment of today. What needs to be done is to improve its product quality and relationship. When the firm improves relationship experiences, it learns about its areas of weaknesses through customer feedback, which would offer a realistic measure to improve product quality.

High Product Quality and Low Relationship

Even though the firm offers quality product, but fails short in relationship experiences. So the customer's overall evaluation of the firm's offering is not high. High product quality and low relationship is a mismatch and would produce negative synergy. The organization suffers from myopic strategy. The firm offers quality product but its quality program, in the long run, would suffer from lack of direction by distancing itself from the customers because they are the eyes and ears of the firm. So the firm needs to restructure its attitude towards relationship. To achieve the attitudinal turnaround, top management's support is critical. Top management's commitment to relationship transcends relationship mindset and attitude in the organization.

Low Product Quality and High Relationship

The firm need to restructure its processes to bring about a turn around in the quality of its products. Low product quality does not befit high relationship, and bring about negative synergy. Only high relationship is not sufficient for customer bonding, it has to be backed by good quality product. As relationship is a practice, the learning through good relationship with the customer should be put to practice by significantly improving the firm's competency. The advantage of having good relationship with customers is that the firm has learnt about its strength and weaknesses in the market fairly well. What needs to be done is doing away with its weaknesses and strengthening its strengths. The firm may need to invest in technology, human resource and quality management practices. The advantage of the firm is that it has the right attitude towards relationship, because many a time it is more difficult to change attitude than improve quality.

High Product Quality and High Relationship

The firm offers high product quality and high relationship experiences. The product quality and relationship experiences have positive synergistic relationship. The product-relationship context is strategic because to realize vision a firm needs to offer portfolio of high product quality and high relationship. Such portfolio offers long-term solutions for the firm. The firm enjoy high customer bonding. The high relationship yields realistic directions for future relationship, competency and performance expectations. The firm has put to the practice the learning by producing products that befits customer expectations. The firm has fairly ensured its future.

RELATIONSHIP EXPERIENCES AT HERO HONDA MOTORS

What started out as a Joint Venture between Hero Group, the world's largest bicycle manufacturers and the Honda Motor Company of Japan, has today become the world's single largest two wheeler Company. Hero Honda Motors is one of the biggest wealth creator companies in India. Shri Brij Mohan Lal is the Chairman of Hero Honda Motors.

In April 2002, Hero Honda emerged as the world's largest tow-wheeler manufacturer. The company posted record profit margins, earned a 95 per cent return on capital employed (ROCE), and declared a 35 per cent dividend. Its sales and profits have trebled to Rs.4,465 crore and Rs.462 crore, respectively, in the last three years. The company is partnered with one of the most admired company in the world over Honda. The chairman of Hero Honda asserts that relationship is the biggest strength of the company. Relationship with the joint venture partner is critical factor for the success of joint venture organizations. Hero Honda is one of the few joint ventures in the country which has managed well the joint venture relationship.

Shri Brijmohan Lal Munjal asserts: "Relationships are our biggest strength." This coming from the top executive of Hero Honda Motors, the company has struck the right chord of relationship marketing. The support of the top executive is a critical factor for the successful achievement of relationship management. If the top management is not committed to building relationship with its stakeholders, then relationship marketing would not successfully align to organizational strategy and the organization would be confined to pockets of relationship excellence only. The growth in the revenue of Hero Honda since its inception in 1984 has not blunted Munjal's personal touch. Munjal hardly misses any opportunity to bond with its stakeholders. He makes it an effort to be with the stakeholders during good times as well as bad, and relationship with associates (suppliers, dealers and stakeholders) extends to touch personal chords. It is important to be with the associates during good time as well as bad. Through hard time trusting relationship develops. Relationship entails vision and long term commitment. It is not a discrete experience, but a continuous process.

An event in the year 2002 took customer bonding to greater heights. During the slowdown of 2001 and 2002 Hero Honda dealers suffered due to sluggish sales, such that they could not keep payment schedules. When Munjal was appraised of the state of affairs he reacted by relaxing its strict 'No Credit' policy by allowing up to Rs.50 lakh-80 lakh of credit to overcome the downturn in the market. Nothing could have been better timed to win the confidence of the dealers. Relationship is neither art nor science. Relationship is a practice. The firm should not be distanced from realities. It is also a long term strategy. Hero Honda could have short term financial hiccup due to the credit policy. But the firm has made it a point, not to make the dealers loose. The relationship strategy makes the dealers win, but what does Hero Honda gain? The organization becomes more

trustworthy in the eyes of its customers. By saving its customers from losses, Hero Honda has strengthened its customer base. Any organization is as strong as its customer base. Hero Honda has strengthened its customer base and is more tightly connected with the customer by building trustworthy relationship. Hard times offer opportunity to win the trust. Such practices would win the customers' trust that the company would not yield to unfair practices. So in the short term what looks like a zero sum game, becomes a win-win game in the long term. Long term relationship is win-win game. Hero Honda is now a big organization but it has not lost touch with ground realities. Any dealer can call them up and meet Brijmohan Lal Munjal personally, without prior appointment. What is impressive is the organization's support in keeping the dealers' own business efficient. A question arises would the dealers trust the organization in its business dealings; and its answer, most likely.

South Delhi's Basant Lok, Managing Director Shri Pawan Kant Munjal says that it is Hero Honda's moral responsibility to make dealers efficient and viable. This involves things like his making 6-7 phone calls every day to his dealers. A company doesn't build relationship on assumptions. It needs customer feedback and develops learning relationship. So the company interacts with its customer such that learning relationship develops with each interaction. Shri Brijmohan Lal Munjal is used to getting calls from his dealers early in the morning. His commitment to relationship building is such that he remembers not only the names of all his 550 dealers, but also their family members. Such unstinting commitment transcends loyalty nearly 80 percent of Hero Honda's dealers are children of dealers earlier associated with Hero Cycles. Munjal proudly proclaims that in the Hero group's five-decade-long existence, only two of its 4,500 dealers have opted out. Thus Hero Honda's relationship strength is competitor entry

barrier. It has successfully reduced customer migration. Hero Honda makes frequent interactions with its dealers. It helps develop a sense of belonging and erases any feeling of alienation. Clearly, a lot of Hero Honda's success and reputation has been built on the way Munjal has handled his relationship. Munjal's commitment to relationship building transcends relationship mindset in the organization. So to put in place a relationship strategy, support of the top executive is needed. When the dealers of Hero Honda Motors purchase products from the company, relationship experiences come along, so the overall evaluation of what the customers receive are high.

CONCLUSION

Relationship management is important because company grows through its customers and stakeholders. Technology innovations are making relationship marketing practicable. Relationship marketing build competitive advantage enhances the sustainability and growth prospects of the organization. Multinational companies are realizing that they must collaborate to compete. Relationship transcends brand loyalty. A firm's strategy should integrate a relationship framework. Customer buys product along with relationship experiences. The product-relationship framework can have four broad contexts based on the degree of quality of product and the relationship experiences. Each of the context has diverse implications on the firm's future. Relationships can have dimensions. The broad categorize of relationship dimensions are transactional relationship, satisfactory relationship and long term and high relationship. Hero Honda's case points to the fact that relationship is the strength of the company and top executive's commitment to relationship building transcends relationship mindset in the organization and relationship is a practice.

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