Relationship Marketing

The article in the last issue laid the foundation for relationship marketing and argued how it was different from other form of marketing. As discussed in the last issue, there are some strategic opportunities for companies on the leading edge of relationship marketing techniques which we shall discuss in this concluding part.

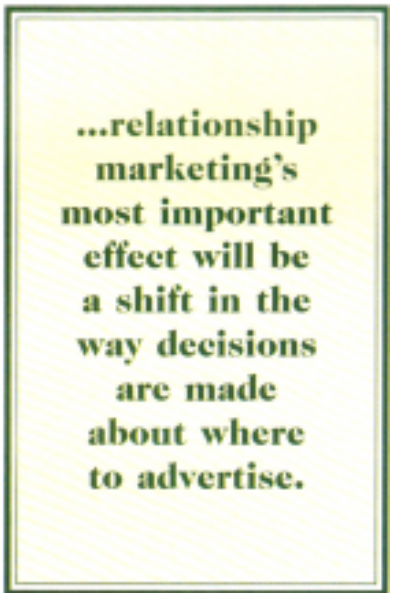
Addressing the trend successfully will depend on a three- pronged effort:

1. Identifying and building marketing databases of present and potential buyers:

In the age of relationship marketing, the customer database will be as important a strategic asset for the manufacturers as the brand itself. Marketers must have the capability to use mass media and more targeted media channels as ways of identifying prospective customers.

Once potential customers have been identified, advertisers must capture their names and information on their lifestyles in a database for future communications. It is important to keep in mind that not all consumers are appropriate targets for relationship marketing, and not all targets are appropriate for customers. Consequently, the initial database must be carefully refined and segmented.

Designed and developed properly, the marketing database will allow companies to expand their Internal capabilities to include relationship marketing. Marketers leading the way include Procter & Gamble, who frequently put 800 toll-free numbers in their advertisements to target specific segments; Porsche, which has created a database of affluent buyers of its cars; Citibank, who are setting up a database of customer information collected from retail outlets for their own use and for sale to third party marketers in joint promotions.



2. Delivering differentiated messages to targeted house- holds:

Marketers must develop the ability to communicate with a defined audience of the existing and potential users of their products. The media choices they make must therefore offer the ability to not only broadcast the message to the entire circulation or audience, but also to target precisely defined demographic slices.

Mass circulation magazines are responding to such needs with selective 'binding' and personalised ink-jet printing'. Applying these two technologies, an automobile

manufacturer or distributor, fort example, can send an advertisement for a high-price car to one household and an advertisement for a mid-range car to another household. In addition, they can add a personalised message to the advertisement with ink-jet printing and even list the names of nearest dealers. Clearly, publishers can exploit mass reach with niche advertisements that provide more targeted messages.

Broadcast media are also relinquishing their positions as passive media. Telemarketing innovations will allow broadcast media to become increasingly interactive. At the same time, addressability will become an important factor in both cable and broadcast.

3. Tracking the relationship to make media expenditure more effective and more measurable:

Common wisdom has it that half of all the advertisement rupees spent are wasted the trouble is in knowing which half. The media innovations described above will allow advertisers to pinpoint what sells and what doesn't. Consequently, relationship marketing's most important effect will be a shift in the way decisions are made about where to advertise.

Traditionally, decisions have been based on various measures of exposure, such as cost-per-thousand, audience or circulation. In future, however, decisions will be made on such factors as evidence of penetration of the required target audience or even evidence of sales results. In this new environment, the basis of measurement changes and emphasis will shift from cost-per-thousand to the value of reaching a target market. Marketers must evaluate the cost of gaining and maintaining a customer relationship over several years.

Defining a relationship marketing strategy implies agreeing upon the objectives of a relationship marketing programme and its role in the overall marketing strategy. Failure to define this role could lead to wasted expenditure on initiatives that detract from ongoing marketing efforts. Once the strategy is established, implementing relationship marketing requires applying a range of skills and resources, from the initial database and product to fulfilment capabilities and feedback mechanisms. However, there are a number of challenges facing the relationship marketer:

Challenge 1: Gaining access to the appropriate systems and executional capabilities: Developing the requisite systems capability to fully pursue the opportunities offered by new technologies will necessitate a fundamental restructuring of current systems and databases. Few marketers currently possess the critical infotech skills to achieve this, while most systems personnel lack the essential marketing savvy.

Challenge 2: Developing the right organisational structure: Marketers will need to reconfigure their reporting systems to balance the benefits of traditional brand management structures with the customer-oriented focus of relationship marketing. Some companies will need a secondary operating structure that crosses businesses, brands and markets. This may mean creating new divisions and refining Profit and Loss accounts.

Challenge 3: Budgeting for lifetime customer value: The economies of the relationship marketing process requires marketers to view the value of maintaining

the relationship over the lifetime of the consumer. Costs must be considered in the light of their long term value a perspective that flies in the face of established budgeting processes.

Challenge 4: Managing an integrated communications programme: Marketers must develop integrated programmes, combining media vehicles with relationship marketing. The right combination can truly enhance the value of traditional media programmes. The challenge is in determining which media combinations are clearly superior and then spearheading their development.

Challenge 5: Building alliances between manufacturers and retailers: Marketers must ally themselves with retailers who are constantly building their own databases. Manufacturers need the information to tailor their marketing programmes. For retailers, the power of relationship marketing is that brand loyalty can also mean store loyalty.

What does the future hold for relationship marketing? Certainly, it provides marketers access to a rich set of tools for building brand image and awareness, and spending advertisement rupees more effectively. Marketers who fail to master the techniques of relationship marketing will find themselves outmanoeuvred by more. savvy competitors.

Technology will be a key determinant of the growth of relationship marketing. Much of the relevant technology exists today; the question is when it will be practical and cost-effective to use on a widespread basis. As the power of relationship marketing becomes more sophisticated, the information it generates will enable marketers not only to vary their advertising, but also to alter their products to individual tastes. While privacy may become a consideration for some customers, many others will regard this attention as flattery.

Relationship marketing represents a natural, evolutionary step and a means by which marketers communicate with their customers. It focuses on building and enhancing sustainable linkages to customers a goal to which advertising has always aspired. Relationship marketing does not change that goal it only provides a surer path to realising it.



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