

The Dark Side of Relationship Marketing

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Relationship Marketing Paradigm

Relationship marketing is the new paradigm in marketing literature (Kotler, 1991, Grönroos, C.1994, Gummesson, 1997, and Brodie et al., 1997) that challenges the existing and entrenched philosophies in marketing literature. Relationship marketing has created lot of interest among academics and practitioners.

Relationship marketing is the newest school of marketing thought. The on going interest in Relationship marketing through the nineties and in the new millennium is evident from the number of conferences organised on the topic, number of business schools offering course on relationship marketing and number of articles published in journals. In fact no other marketing topic has been written about as much during the 1990s (Mowen and Minor, 1998).

Relationship Marketing is a strategy used to learn more about customer's mood and behaviours in order to develop stronger relationship with them. The new paradigm asserts that intelligent marketers should view existing customers as a tremendous growth opportunity (Cindy Claycomb and Charles L. Martin 2002).It can be used to build a loyal customer base and as a result the brands marketed by the company will grow in strength by leaps and bounds

For academicians it is a paradigm shift in marketing philosophy urging the importance of long term relationship and retaining existing customers over getting new customers; since a bird in hand is better than the two in a bush. For practitioners Relationship marketing is a competitive advantage (Day, 2000), a tool to reduce the customer churn (Schneider and Bowen, 1999), a tool to overcome service failures (Crosby and Stephens, 1987), an opportunity for marketing additional products and services to a more receptive customer base (Priluck, 2003)

Evolution of Relationship Marketing

In 1983 Leonard L. Berry, distinguished professor of Marketing at Texas A&M University, coined the word Relationship Marketing when he presented a paper entitled Relationship Marketing at the American Marketing Association's Services Marketing Conference. The paper was published in the conference proceedings and for the first time the phrase Relationship Marketing appeared in the Marketing literature. Later Jackson (1985) used the concept in Business to Business context.

Another opinion is that Relationship marketing is a gradual extension of "the Nordic School" approach to services marketing and management (Gummesson, 1997). There are ample examples to prove that long-term relationship emphasized by the Nordic School researchers (Grönroos, 2000) but without using the term Relationship marketing as early as 1977, before Berry and Bund Jackson used the term relationship marketing.

New – old concept

The idea of developing and fostering relationship with customers is not something revolutionarily new, but many firms are realizing the significance of relationship marketing for the first time. This phenomenon is as old as the history of trade and commerce (Grönroos, C.2004). So, we can say that it is a new-old concept (Berry 1995). While relationship has been rediscovered in the western world, they have remained a fundamental part of exchanges in many eastern cultures (Ohmae, 1989 and Rich 2000). Now many firms discover relationship marketing for the first time, this is because many larger firms lost sight of the individual customer, believing that it was more efficient to market to them on mass scale (Grossman 1998)

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Benefits of Relationship Marketing

Relationship Marketing Inc. a web site providing relationship marketing services list the following as the benefits of relationship marketing initiatives to retain existing customers, acquiring a customer can cost 5-10 times more than retaining one, a 2% rise in customer retention equates to a 10% reduction in operating costs, a 5% boost in customer retention translates into an 84% increase in lifetime profit. So, Relationship marketing has the potential to improve marketing productivity (Sheth and Parvatiyar, 1995).

A study confirms that service firm loses about 20 per cent of its customers annually, and companies which that can decrease their customer defection rates by 5 percent can increase their profits from 25 to 85 percent (Reichheld and Sasser 1990)

There are numerous benefits to both the firm and the consumer as a result of relationship marketing practices like higher perceived value for both, increased competitiveness of the firm, reduced transaction cost, improved financial performance and increased marketing productivity (Janet E. Keith, *et al* 2004)

CRM and Relationship Marketing

CRM has its roots in relationship marketing. Relationship marketing is a philosophy and orientation towards customer retention and CRM is regarded as the practical implementation of relationship marketing (Christopher *et al.*, 1991).

In other words CRM is technological infrastructure, both hardware and software, to manage large quantity of customer data. But Relationship marketing is a way of doing business. So, it is not a surprising fact that many CRM projects fails to deliver the return on investment, because of the inability to understand the business needs. So, CRM is just an enabler of Relationship marketing. So we should not assume that more technology leads to a more effective CRM Program (Batterly 2003).

Dark side of Relationship marketing

But there are certain inherent drawbacks in the concept and its application.

Dissent among loyal customers

Despite the hype about the benefits, Long-term relationship and preferential treatment to most profitable customers have many inherent drawbacks. Company's preoccupation with its so-called best customers should not hurt the feelings of other loyal and revenue generating customers. (Fourneier, Dobscha and Glen Mick 1998) So, loyal customers might get punished, when the company does not declare him/her as valued customer and before his eyes other customers are given privileged treatment.

Company is viewed as enemies and not allies

Consumers typically view companies as enemies, not allies. So, when the company advances with a relationship marketing programmes; the customers respond by arming themselves to fight back. High levels of interaction, familiarity, and experience can foster a belief that they can no longer objectively evaluate one another (Moorman, Zaltman, and Despande (1992)

Souring relationships over time

Partners in long term relationship may develop a "What have you done for me latterly?" attitude, which paradoxically makes them more sensitive to short-term cost and benefits (Gruen, T.W., J.O. Summers and F. Acito 2000). Also a partner may come to suspect that his/her trust is been taken advantage of, there by souring their relationship (Grayson and Ambler 1999). A study has found that breakups between advertising agencies are often driven by clients believing that as the relationship progresses, the agency is going stale (Doyle et al, 1980).

Failure of CRM Initiatives

Software vendors such as Oracle, SAP, PeopleSoft, Clarify, SAS, and Siebel are now offering ready to use CRM applications to organizations. (Injazz J. Chen and Karen Popovich 2003). Many CRM software vendors lure organizations with promises of omnipotent applications, till date there is no software available in market that gives cent percent solutions (Hackney 2000). CRM technology is expensive, ranging from \$500,000 to \$800,000 or more for a system-wide application. The promise of CRM is appealing, but in practice it turns out to be perilous and nearly 55% of CRM initiatives fail, due to lack of acceptance inside the company (Rigby et al., 2002). So, relationship marketing and CRM initiatives may involve substantial capital investment with no guarantee of return

Attitudinal Barrier

Marketing practitioners while embracing relationship paradigm have to alter the company culture to be customer-centric. This can be a major challenge because of the long-term supremacy of the product superiority view strongly advocated over a period of time. To produce a consistent customer experience, companies should adopt a company-wide customer centric culture. Customer-focused cultures can be fashioned though considerable investment and time is needed. Still many companies find it difficult to accept their customers as the undisputed king.

They pay only lip service to customer satisfaction. It may be a new generation private bank, airline, automobile dealer, or an insurance agent. They want their customers to choose product or service that is profitable for them in terms of higher profit or higher commissions. There should be an attitudinal change across the hierarchy, for any relationship marketing initiative to be successful.

Attracting new customers may be more important

Another disadvantage is that relationship marketing that look to current customers doesn't attract new customers on a wide scale. Take the example of Indian Telecom sector where millions of cellular phone subscribers are added every month, attracting new customers is equally important. In such situations relationship marketing and traditional marketing should go hand in hand. Relationship marketing alone could be a disastrous strategy in such scenario.

Empirical evidence

Relationship marketing has suffered from a general failure to position the concept (Palmer 1996). Right positioning strategy for the relationship marketing paradigm should be developed to get the right footing for the paradigm in the marketing literature.

Another deficiency is that currently literature on Relationship marketing is theoryless, a stack of fragmented philosophies, observations and claims which do not converge in the direction of an emerging Relationship marketing theory. A strong theoretical foundation need to be developed with empirical support. (Gummesson, 1997)

Relationship marketing history has been described by rhetoric rather than publication effort and after two decades, the new relationship marketing paradigm is still without empirical support and the little empirical evidence is inconclusive despite all of our beliefs in lifetime value of the customer (Sheth 2002)

Conclusion

To conclude, beyond doubts relationship marketing is a paradigm in marketing literature, even though it is a new but old concept. But the conceptual bases of relationship marketing are not yet completely developed even after two decades of existence. The future survival and status of relationship marketing as a discipline depends on development of a solid theoretical frame work based on empirical research.

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