MARKETING'S ROLE in a relationship age
Olasz, Connie S
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"GETTING TO KNOW YOU, GETTING TO KNOW ALL ABOUT YOU."

MARKE ROLE in a relationship age

"GETTING TO LIKE YOU, GETTING TO HOPE YOU LIKE ME."

by Connie S. Olasz

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The 1951 song "Getting to Know You" by Oscar Hammerstein produced for the classic musical "The King and I" might be the marketing hymn of the 21st century.

For marketers and businesses around the globe, it's the Relationship Age, an acclamation that the relationship between a brand and a customer drives market share – and innovation. The mantra for this reign of relationships is Customer Relationship Management (CRM), a strategy to increase customer retention and build customer equity. It embraces a 360-degree view of the customer and customer insight brought into all day-to-day operations of a business.

A 2005 study by research firm CSO Insights found increasing customer loyalty (a.k.a. relationships) as one of the top four goals most commonly cited by more than 1,250 companies worldwide who have adopted CRM.

Carol Gwin, assistant professor of Marketing at Baylor University's Hankamer School of Business, states that the essence of a customer or business relationship embraces the same dynamics as interpersonal relationships: trust, two-way dialogue, commitment and mutual high esteem. She says trust is the core element.

Ryan Vauk, newly appointed Sales & Marketing Supervisor for Major Accounts at 3M and Baylor graduate, sings the praises of CRM and 3M's transformation from a product-selling model to a customer buying, relationship-building business.

In 2004, 3M sales topped $20 billion, with innovative new products contributing significantly to growth. According to Vauk, relationships are key to this success.

"We're not afraid to innovate around the customer. Teams within and outside the company are always on the hunt to do better and be more efficient together," he said.

Marsha Calfee, director of CRM Delivery for NetBank, is responsible for delivering mechanisms to help marketing develop customer relationships. She describes CRM as a holistic strategy that needs to be driven from the top down.

"CRM implementation must start at the top of a company and be closely tied to the company strategy with processes, policies and a relationship-focused culture in place. For optimum success, CRM has to be the very fabric of a company's culture," Calfee said.

Vauk echoes this same view and credits the top-down approach and the fabric of culture at 3M with successful CRM transformation and results.

Vauk and Calfee concur that full CRM adoption and implementation is a conversion over time and not an easy change to make. Calfee believes that CRM dawned as sales force automation tools when the advent of mobile laptops, email and networking put customer and business information at a sales person's fingertips. As businesses realized the value of networked and centralized databases of customer information from sales, to service and support, to marketing, CRM sprang forth.

In concert with CRM, the role of marketing matured. John F. Tanner, Jr., associate dean for Faculty Research and Development and a Marketing professor at Baylor, reflects that there has been a dramatic evolution in marketing throughout the last fifty years as focus shifted from one-size-fits-all mass marketing to one-to-one relationship marketing.

According to Kirk Wakefield, Hankamer's Marketing department chair, we may be witnessing marketing coming full circle, back to the basics of relationships where marketing began.

BUSINESSES TODAY UNDERSTAND THAT THE FASTEST WAY TO BUILD BRAND EQUITY IS TO BUILD CUSTOMER EQUITY (RELATIONSHIPS) BY STAYING CONNECTED THROUGHOUT A RELATIONSHIP LIFECYCLE.

As far back as Medieval Ages, merchants, artisans and smiths survived by knowing, serving and anticipating their customers' preferences.

Marketing evangelist and legendary management thinker Peter Drucker traced the birth of modern marketing to 1650 in the Far East when the first neighborhood department store opened in Tokyo with a large assortment of products tailored to customers, along with the principle of a money-back guarantee and the identification and segmentation of an urbanized new gentry and bourgeoisie set of customers.

In the West, Drucker recognized Cyrus McCormick as the first person to recognize and advocate marketing as the central function of a business and the customer as the central objective of a business in the 1800s. Most famous as the inventor of the harvester, McCormick was credited by Drucker as the inventor of basic marketing tools such as market research, market analysis, pricing policies and installment credit; ideas which he lamented were not imitated until the 1900s.

As technical innovations from transportation to communication started taking off in the 1900s, business attitudes began to switch from selling a product to producing what the market needed – from selling to marketing.

Wakefield attributes the ensuing fragmentation of media and increased mobility of the 1970s and 1980s along with the advancement of e-mail and mobile technology to the re-emergence of one-to-one, personalized marketing.

"In 1950, 75 percent of the population lived in rural areas. Today, 75 percent of the population is urban. There are hundreds of magazines and innumerable Web sites that address every niche and interest. There are hundreds of cable TV stations to appeal to every segment. There are multiple channels of communication, including email, the Internet, handhelds and cell phones to reach individuals. And it is now economically feasible to communicate one-to-one," he states.

Tanner remarks that academia began calling for greater focus on understanding customers and the importance of segmentation and personalization in the sixties. But the idea languished in the business world.

MANAGEMENT CONSULTANTS AND MARKETING STRATEGISTS ADVOCATE:

- Emphasizing the critical nature of CRM to a company's profitability and long-term success.
- Creating value by increasing customer lifetime value.
- Reaching out to customers who have shown an interest.
- Focusing on share-of-customer rather than share-of-market.
- Building unbeatable customer relationships and loyalty.
- Producing good feelings from storytelling, not product quality.

As communication technologies and data bases of customer information grew, however, a flurry of primers and tomes from management consultants and marketing strategists in the late nineties through today began rolling out, reminding and counseling businesses that they exist for a sole purpose – the customer – and that the closer the relationship, the more protected a business was from price cutting and competitive subversion.

Besides enabling businesses to focus on customer relationships, technology also gave customers power. With all the touch points and information the Internet, email and cell phones avail, customers now control when, where and how they want to interact with a business – as well as how deep a relationship they care to have.

"Relationship management doesn't mean the best relationship is the deepest. The best relationship is what a customer wants and what keeps the customer loyal," advises Tanner.

As a result, marketing has multiple channels and touch points to reach customers and prospects, but they have to carefully understand the stages of relationships, preferences and attitudes to build trust.

"Trust is the keystone, built upon integrity, reliability and dependability," said Wakefield.

When asked what spurred an already successful 3M to embark upon its transformation to CRM in the late nineties, Vauk said, "Our customers asked for it. They have a trust and a preference for our brand, products and service which survives even executive turnover. Executives may come and go, but the customer remains. Their relationship is with the business, not just individuals."

It is generally accepted that it costs a business anywhere from five to ten times as much to acquire a new customer as it costs to retain an existing one. Some studies have estimated that U.S. organizations lose half their customers every five years and that a five percent incremental improvement in customer retention rate could double profits. On the downside, disloyalty is estimated to decrease corporate performance by 25 to 50 percent.

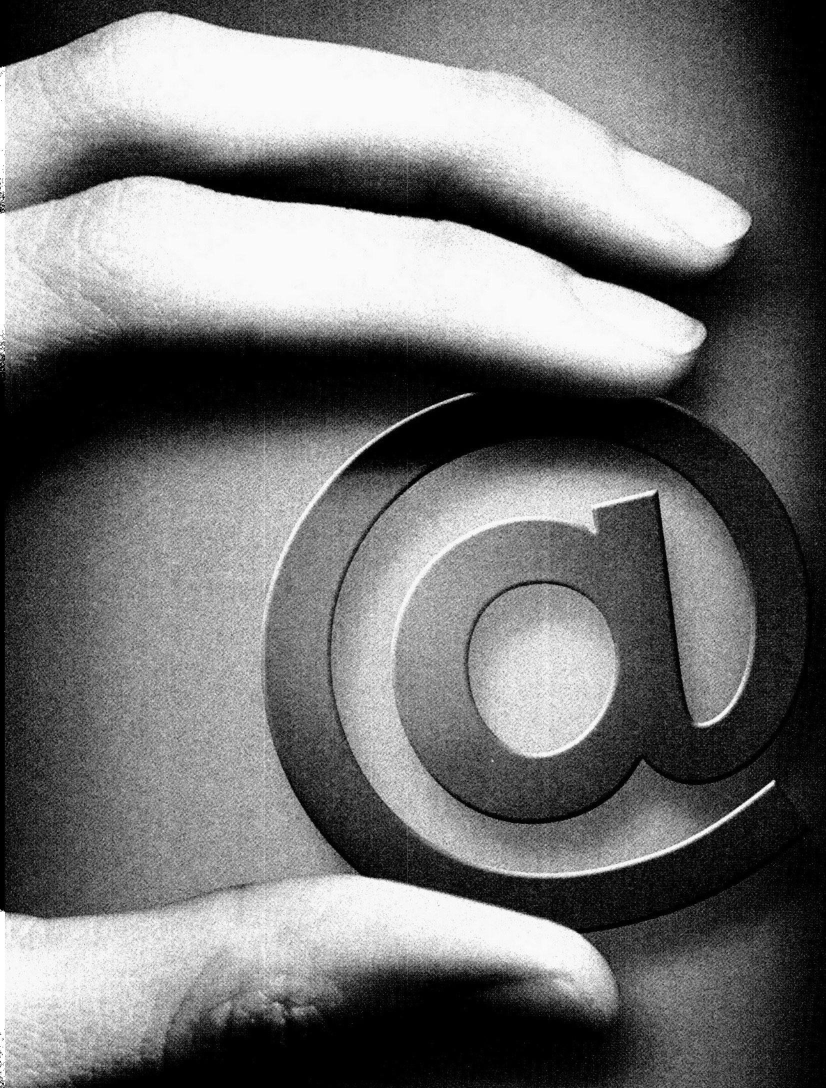
"Relationships are a necessity. Many products are so similar that only the quality of relationships differentiates one company from another," explains Tanner.

Businesses today understand that the fastest way to build brand equity is to build customer equity (relationships) by staying connected throughout a relationship lifecycle.

Marketing's primary role is to generate leads for sales, create brand awareness and manage the relationship cycle with customers. However, marketing does not operate alone. It is inextricably intertwined with its primary partner sales. Sales does not lead and marketing follow. Marketing does not lead and sales follow. Rather, their relationship is integrated on an interactive two-way street. They support each other and are separate functions solely for the benefits of division of labor, focus and execution.

In the current business environment, challenges and customers are too complex to be managed by one person, one department, one function. Add to that complexity, disparate oceans of data collected through multiple and various customer touch points that are too vast for one role to analyze and interpret properly. Multiple perspectives are necessary and marketing plays an integrative, collaborative role in coordinating, consolidating and sharing perspectives.

Many stakeholders own an interest in customers and contribute to brand equity and customer equity. Marketing pools resources and collaborates with other stakeholders to understand customers, develop market positions, customize marketing communications, implement go-to-market strategies and drive long-term relationships.



THE INTERNET IS THE FASTEST GROWING MARKETING CHANNEL and opportunity to gather customer information, acquire customers, and build relationships. Initially a catalyst for customer acquisition, the internet now plays a major role in cross-selling, customer retention and loyalty.

Collaboration and building relationships with other stakeholders are critical to successful marketing and profitability. Without relationships, internal departments and functions, and external stakeholders such as partners and investors act to serve their own power interests.

Relationships between management, marketing, sales and employees impact strategy and execution.

Relationships between management, marketing, finance and investors affect company valuation.

Relationships between marketing, sales and strategic partners influence effective domination of market.

Strategic partners bring additional knowledge of customers and data management systems to the table to help develop effective and insightful customer solutions as well as help evolving companies transform to customer-centric, relationship driven businesses.

Suppliers help lower costs of products and services, and improve quality and distribution.

Vauk says 3M works closely with partners to develop solutions and packaging that meet the distinct needs of individual customers.

To build customer relationships and to share insight with key stakeholders, marketing's task is to understand who the customers are, who the loyal customers are and who will most likely become loyal customers. They have to understand the customer well enough to treat them with differentiation and distinction via personal, relevant and timely messages.

"Relevant personalization and recognition of an existing relationship makes the customer feel valued, increases loyalty and generates additional purchase," states CSO Insights.

From database marketing to email mining to real-time targeted marketing, technology enables marketers to reach customers with the right message at the right time through the right channel.

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Marketers embrace various methodologies to target, personalize and build relationships. Optimally, customers turn into brand advocates.

Whether it's Peppers & Rogers' 4 Step IDIC Methodology; DeBonos, Balinski & Allen's 5 Step Process; McDonald & Dunbar's 3 Stage-7 Step Process; or others, there is consensus that the approach must be a long-term strategy based on market conditions, customer information, successful implementation, analysis and customer feedback.

Marketing has never been as analytical as it is today. It consolidates and derives insight from distinct and disparate databases, and turns data and insight into actions and programs by understanding the different phases and current state of relationships with customers. Then it tailors strategies and tactics based on the state of the relationship. It must know why customers continue to return, why some leave, and strategies to manage those relationships and all in between.

As marketing seeks to identify relationships, spot trends, segment, target and personalize communications, analytics are critical.

The biggest challenge marketing faces is understanding key drivers and triggers of relationships, measuring relationships and measuring success.

There's a potential flaw of responding to wrong signals. Tanner refers to this as a "data trap" that causes an illusion of knowing. He gives the example of an Asian company that noticed large volume sales of washing machines. Assuming the customers would need dryers, sales people were dispatched only to find that the washers were being used to make cheese, not wash clothes. And no dryers were needed.

Traditional transactional and behavioral data does not deliver full insight to understand relationships.

As researchers and strategists have known for some time, traditional quantitative data needs to be balanced with qualitative, emotion-focused data. Beyond basic marketing research tools and data bases, it is evident that social, functional and emotional dimensions are important predictors for marketing.

Up to now measurable qualitative research has been expensive and often ignored by businesses. But, according to Wakefield, it is available for anyone who wants to measure.

Observation is becoming as important as traditional facts and figures of basic marketing research. Some companies are including ethnographers and anthropologists on cross-functional teams alongside sales, marketing, engineering to add this tool to analysis.

Tanner attributes incremental sales to relationship management but says personal observation and dialogue are the key drivers for "epiphanies" and innovation.

Although personal observation and face-to-face dialogue can be quite expensive and time-consuming to study large populations and segments, some marketers are using these tools very cost-effectively to engage small populations at polar extremes of the customer relationship spectrum.

"It can be extremely insightful to understand why your advocates love you and why hostile or unengaged customers feel that way. It can provide competitive and innovative information, and great followup with an 'if we change X, would you buy?'" says Gwin.

As marketing builds relationships with customers, they are using new analytics and metrics to mine data and to establish connections.

A January 2006 article in *BusinessWeek* touts an analytics shift to a new "age of numbers" where math and "luminary quants" are developing mathematical models to help marketing sort and analyze vast and disparate mountains of data to gain the intelligence to drive one-to-one relationships with customers, predict buying behavior and predict product/service appeal to demographic groups by medium.

"This mathematical modeling of humanity promises to be one of the great undertakings of the 21st century," according to *BusinessWeek* senior writer Stephen Baker.

THE BIGGEST CHALLENGE MARKETING FACES IS UNDERSTANDING KEY DRIVERS AND TRIGGERS OF RELATIONSHIPS, MEASURING RELATIONSHIPS, AND MEASURING SUCCESS.

Relationship marketing and CRM are godsends to marketing, helping them measure and justify their relationship building strategies and campaigns. It helps show that marketing is an investment rather than a cost. Smarter metrics are coming to the forefront to validate marketing's value as a revenue generator and an investment.

Traditionally, marketing measured response rates, cost per lead, brand impressions. Performance can now measured by increase in customer share, customer retention and customer value, not just market share.

Going forward, marketing and relationship programs can be measured by customer loyalty, incremental profits generated, customer growth rate, share of preference, share of wallet, customer tenure and brand advocacy.

Perhaps soon, quarterly and annual reports will include customer equity alongside stockholder equity. One thing remains clear, the end objective is revenue and profitability – through relationships.

For students pursuing a marketing career, Tanner recommends high competency in creative and marketing strategies, technology tools, and, of course, analytics, both quantitative and qualitative.

For mid-career marketing professionals, additional training and expertise in math and math tools, including Microsoft Excel, are sure to pay off greatly.

Marketers don't have to be math wizards but it's to their benefit to know enough to question assumptions behind analysis and to spot opportunities and illusions of knowledge.

"HAVEN'T YOU NOTICED SUDDENLY I'M BRIGHT AND BREEZY? BECAUSE OF ALL THE BEAUTIFUL AND NEW THINGS I'M LEARNING ABOUT YOU DAY BY DAY."