RELATIONSHIP MARKETING'S IMPORTANCE IN MODERN CORPORATE CULTURE

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ABSTRACT

The importance of Relationship Marketing (RM) to the success of corporations today cannot be denied. Many businesses, however, have not placed enough emphases on measuring the impact of customer relationships and taking into account the importance of customer service in the post-Recession world. The impact of instant social media reviews on business can be substantial. The rising popularity of websites like Yelp have given the post-Recession consumer, suspicious in general of banks and businesses, the power of an instant and widespread way to vocalize their feelings and opinions to other potential customers. Since customers can instantly share positive as well as negative reviews with other customers, businesses must carefully guard their reputation and image. To take a closer look at the future implications of relationship marketing, we will present and discuss the current literature. Additionally, we will examine a company that has a successful relationship marketing program, Apple. We will highlight how Apple has created effective customer service training to enhance the customer's experience. Apple's success in using positive word of mouth advertising instead of large, expensive advertising campaigns will also be explored. Key characteristics of Apple's achievement in relationship marketing will be highlighted. How few businesses seem to have a standardized process for establishing and implementing relationship marketing will be presented and analyzed. We will also review the power of relationship marketing in today's modern social media world and present reasons companies should seriously address relationship marketing. The need for businesses to measure RM in order to fully understand operational successes, failures, and impacts will be explored. To demonstrate one method for measuring RM, we will also perform a Delphi measurement to show standardized reflections of relationship marketing. The steps used and questions asked in the research method will be presented. Finally, the research findings are summarized and analyzed. Implications for reviewing and standardizing RM practices are presented.

INTRODUCTION

Perhaps one of the most important aspects for the success of any corporation, relationship marketing, also known as RM, focuses on the interactions between and amongst the corporation, its clients, and stakeholders. In the past twenty years, its importance in contributing the success to any business has come to the forefront of corporate culture (George, 1990). However, even prior to the recent growth in social media that created an even stronger paradigm shift focus onto customer importance in this triangular relationship, a concept known as Customer Relationship Management, or CRM, was emerging in importance. CRM grew primarily because many marketing studies were determining it costs less to keep long term customers than it does to constantly obtain new ones, and

technology was changing the face of marketing. CRM focuses on integrating the emerging technologies within the concept of corporations, finding ways to utilize the technological revolution individually and uniquely for specific corporations (Levitt, 1983). There is no denying the fact that technology is constantly evolving, and as such, the adaptation of the corporate world to the technological revolution is ever present and ongoing (McKenna, 1991). Now, the important question that has come to the forefront of this challenge for the business world is measuring RM through a research program in order to analyze the impacts, successes, and failures, of corporate technological evolution. As such, we have decided to implement a measurement utilizing the Delphi method. First, we will approach the RM method by presenting various research methods and points that help establish the background for this approach. Finally, we will summarize what the findings and outcomes of the research measurement displayed.

LITERATURE REVIEW

Background: Concepts of Relationship Marketing

The concept of relationship marketing, introduced to the world by Berry (1983) was quite loosely presented to the world as a way to see how corporations were relating and performing within their markets (qtd. In Yen, 2003). The growing popularity of RM over the past twenty years is undeniable in the corporate world. Egan (2003) asserts that it was probably the most talked about controversy present in the business world over the past two decades (Qtd in Yen, 2003). The importance of developing ongoing relationships with returning customers, and the low cost benefits this approach offered to various businesses, came into play in the early 1980s (Schneider, 1980). As more businesses realized one of the huge benefits of retaining long term customers was not only regularity in purchases and monetary gain, but also that retention cost far less than attracting new customers through advertising and marketing campaigns. Customer service became of growing importance to businesses, and the ever present slogan of "The customer is always right" became a mantra to many corporations, and especially those that were able to successfully retain their customers. The popularity of this approach continued into the 1990s (McKenna, 1991), mainly because of its overall success, and also because the idea of building relationships spawned, as the Internet became more prevalent, the form of marketing known as "word of mouth" started to imprint itself into the Internet although it was still yet in its very early stages. Today, with the advent of social media, the rise of Yelp, and the powerful voices of customers that can post reviews everywhere instantaneously, technology and the customer have become even more important for corporations to consider during day-to-day operations.

Problems and Challenges

Problems do exist, however, with some of the strategies of relationship marketing within the limitations of corporate application. First, no one single approach has ever really been implemented, some businesses utilize more than one approach that could be conflicting, and schisms have been known to erupt in business practice as a result. Some businesses have adopted the idea of relationship marketing, but have not put enough emphasis or focus on the customer, and the variety of needs and situations that will arise based on the individual differences of clients, both new and returning. Furthermore, many companies

have never implemented a measurement, or taken the time to measure the successes and failures of various practices, often times simply changing them somewhat whimsically if at all. Furthermore, there has been little measurement on RORI, or return on this relationship with the customer, to see if is productive, valuable, and beneficial to both the business and the customer (McKenna, 1991). Another problem that has come to the forefront of this discussion since the boom of technology and the social media market is that many companies have engaged in IT investments that are not beneficial, and sometimes can harm, the success of relationship marketing within the company, without these businesses paying much attention to this ongoing problem.

The View of Business Analysts

However, business analysts have certainly not been shy to discuss the necessity of relationship marketing, and the amount of publications in business and scholarly journals and magazines have included no discussion shortage of relationship marketing (Piccolli & Applegate, 2003). Its importance has become even more prominent throughout the social media boom, the consumer focal shift in the Recession that has made customers more suspicious of banks and corporations and therefore not shy about using social media to voice experiences and comments. The need to develop successful relationships with customers because of not only technology, social media, the retention of customers for monetary gain, but also because if a business has enough poor social media reviews, in an era of the suspicious and vocal post-Recession consumer, its ability to both retain old customers and attract new ones would be called into question. Why some corporations still seem to have a disorganized or illogical focus on the power of relationship marketing in today's society has many business analysts scratching their heads. In today's corporate world, nobody can deny the power of the consumer and social media, and with the widespread consumer reliance on websites like Yelp, the necessity of implanting a successful RM plan to ensure continued corporate success has become even more prevalent, whether corporations choose to accept or ignore the obvious shifts (Prasongsukarn, 2006).

Apple: An Example of Success

A corporation that has recently emerged as a standard of success in relationship marketing is the company of Apple. Known for its effective customer service, and use of word of mouth advertising as opposed to large, expensive advertising campaigns, Apple specially trains its customer service representatives, who interact with customers in chat, over the phone, or in their stores, to measure customer issues on a case-by-case basis (Davenport, et.al, 2001). Apple has been known to replace products without question, provide adequate customer support, and has a strong focus on making customers satisfied. Specially trained customer service employees certainly cost more to maintain and create, but since they are allowed to make decisions on replacing products and trained with the emphasis on making the customer a happy one, broken products, even without warranties, are almost always replaced by Apple free of charge. Knowing the nature of technology, Apple understands that lemons can come off production lines, and also that electronics sometimes are faulty and break. Since electronic products can be so expensive and default due to no fault of the customer, the customer almost always walks away with a replacement product and very satisfied (Prasongsukarn, 2006). Apple has therefore not only been able to retain customers

and attract new ones because of the success and quality of its electronic products, it has ensured to the world that it will stand behind its promises and replace products that malfunctioned, usually even if it is the customer's fault. This formula has resulted in massive success for Apple. There is widespread word of marketing supporting Apple as a company that cares for its returning customers, and by replacing products, often usually only once in the lifetime of a customer, they retain that customer. The costs of replacing a product are far less than losing a returning customer. The height of Yelp and their impressive social media reviews with happy customer response has brought on more customers. Apple has therefore demonstrated a standard for success, but many corporations do not follow such a model or even have a specific, standardized approach. Many do not pay enough attention to the benefits of such a strategy, even with the boom of Apple, attributing Apple's success to the quality of its products. While that is one reason for the rise of Apple, the corporation's successful approach to customer service guarantees continued relationships with both old and new customers. Without its effective customer service model, its products may also not be viewed as successful. If they did not, for instance, replace broken products, people would probably have far less faith in purchasing products from them. Therefore, the combination of factors must be accumulated when weighing why Apple has been able to do what few other corporations have been able to do in the bounds of relationship marketing.

MEASUREMENT: A DELPHI APPROACH

Dawkins and Reichheld (1990) define a Delphi approach as a way to predict a certain method via analyzing a consensus that is shared amongst a group of qualified analysts. The concept behind the measurement is to be able to gage what a particular method can do for corporations in the future based on the present existence of a variety of expert voices and opinions. First, a number of iterations, or "rounds," of discuss allow the analysts consulted to discuss responses and feelings regarding the chosen topic. Next, the analysts, after discussion and feedback, are allowed to revise their previous convictions based on that discussion, known as "controlled retroaction." Furthermore, the experts do not know what other experts are being consulted, so the discuss stays anonymous to eschew any type of thought of premediated influence based on a particular scholar. Typically, a successful size for this type of group measurement is about eight to ten experts; groups should neither be too small or large.　　　In order to locate our experts, we contacted local universities to generate leads for professors interested in participating in our study. We sent out a survey questionnaire to narrow our selection down to the required 8-10 for our expert panel. The questionnaire was as follows:

1. What is the standard textbook you and your colleagues use when studying relationship marketing?
2. Is this textbook your preferred textbook?
3. Do you feel businesses place enough emphasis on relationship marketing in the social media generation? Why or why not?
4. What are your feelings about the post-Recession consumer and how this might affect relationship marketing for corporations?
5. What do you feel are the growing trends in relationship marketing?

The level of expert knowledge was measured by the current awareness of the post-Recession consumer and the rise in social media influence. 50 such surveys were sent out, 25 were selected for random sampling. Of those 25, a random sample of 9 researchers was chosen for our panel.

After selecting the researchers, we anonymously shared the responses of the rest of the panel with them, and asked them if they wished to revise anything about their answers. From this, we analyzed the primary keywords the researchers focused in on surveys and formatted the answers into a compilation, as there were many shared similarities. The results of this compilation are as follows:

1. What is the standard textbook you and your colleagues use when studying relationship marketing?
   John Egan's *Relationship Marketing: Exploring Relationship Standards in Marketing.*
2. Is this textbook your preferred textbook?
   Six said yes; three preferred *Relationship Marketing* by Merlin Stone.
3. Do you feel businesses place enough emphasis on relationship marketing in the social media generation? Why or why not?
   In general, the panel does not feel businesses place enough emphasis on relationship marketing and social media. A few examples of companies that do pay attention and are capitalizing on this success, including Amazon and Apple, both noted by the panel as having excellent customer service social media reviews and reputations, were referenced as examples of companies that were doing this. Of course, it was also mentioned that these two companies seem to be taking control of their markets, and should be utilized by other corporations as examples of successes in incorporating technology and customer service trends. However, even with these example companies present, in existence, and competitive with many other corporations, the panel in general felt the majority of the corporate world is not doing enough to learn from them and follow their lead. Relationship marketing, even in the era of social media with excellent examples of companies using it for success, still has not created enough motivation or standardization for many companies.
4. What are your feelings about the post-Recession consumer and how this might affect relationship marketing for corporations?
   The panel, responded that there has been a profound shift in consumer mood following the Recession, and it has created an even larger importance and emphasis on the influence of social media reviews. Customers do not trust reports of the economy's health in general, nor do they much trust banks, mortgage lenders, or corporations. The widespread deception of the housing boom that eventually crumbled has made the everyday consumer much less likely to believe all status updates on the economy, and has also resulted in a society that is more careful about monetary spending. Furthermore, customers have higher expectations and expect companies to prove their worth to them. Consumers are also much more vocal about their experiences, seeing websites like Yelp and the sharing of experiences in social media reviews, even with complete strangers, as a massively important part of everyday life. The power of the consumer has grown

exponentially with the boom of Yelp and social media reviews. In fact, it is almost second nature for most individuals to check reviews on Yelp before going out to purchase a product. The other offshoot of this is that consumers have instant access to information on products and companies and are much more educated than they used to be, simply because the access to information is there. Furthermore, because of distrust, consumers are more likely to listen to the reviews of complete strangers, as long as those strangers are other consumers, than they are people associated with the business selling the item. This is true even if they know people in the business personally and face to face.

5. What do you feel are the growing trends in relationship marketing?

Companies need to be more prepared for the educated, careful consumer and much more aware of the growing impact of social media on the everyday choices of customers. The combination of technology and customer service, and the growing trends in social media reviews, cannot be ignored. Companies can no longer take pleasing customers lightly; they must place an increased microscopic focus on providing the best for their customers if they wish to prosper in the changing atmosphere of relationship marketing.

ANALYSIS OF FINDINGS

What our analysis implies is that relationship marketing is of utmost importance and a growing trend amongst the more successful companies in the corporate world, but that many businesses are still not doing enough to apply it. There has been a power shift the past ten years or so in consumer influence within this relationship, and it has been argued by many that consumers, in fact, now have all the power. This argument originated with the concepts of brand loyalty, a consumer emphasis that emerged in the 1990s; meaning, if a customer likes the product of a particular brand and his or her experiences with that brand, he or she will continue to purchase that brand. This idea has evolved with the technological boom and the Recession into the rise of consumer review social media experience sharing. For consumers, it is not only a way to keep businesses in check, it is also a way to ensure the consumer's voice will be heard. What is becoming increasingly apparent, however, is that some corporations are still ignoring this trend with RM, and ignoring the voices of the consumers. These corporations are underperforming in comparison to their more customer and social media rivals, especially if they are in competition with companies like Amazon and Apple.

Because of the Recession and the social media explosion, we have seen the rise of Yelp in the influence on consumer behavior. RM experts emphasize that this is one level of an RM trend all corporations who wish to survive the markets is the level of emphasis social media review has on consumer behavior. It is a simply inescapable wave of the future. In order to survive their competitors that embrace these standards, businesses will need to embrace such standards themselves, no matter how reluctant they may be to hand power over to the consumers. It will be difficult for them to survive in a market against those already taking this approach otherwise.

CONCLUSIONS AND RECOMMENDATIONS

RM has integrated its focus in recent times, making the interaction amongst customers, business, and stakeholders all the more important in the everyday corporate world. In order for corporations to survive the impact of this growing trend, they will need to consider reviewing and standardizing RM practices to focus in on high quality customer service in order to impact the success and retention of the corporation itself. Businesses cannot expect to compete well in a similar market with companies that are already applying these standards, and cannot be expected to excel in their markets otherwise. Therefore, it has become increasingly important to acknowledge RM as a wave of the future. Businesses that ignore the growing importance of applying RM to everyday life may not survive the cultural shift taking place in consumer society, with social media pulling the power into the hands of the consumer. The age old saying, "The customer is always right," seems more important than ever in the media age, where experiences and opinions about products and experiences with service spread honestly, rapidly, and effect the decisions of other customers. There is no denying the power of websites like Yelp, and the advantage websites like this have given to consumers as a platform to engage in responses, experiences, and reactions to guide other consumers.

Furthermore, since there are corporations, like Apple, already paving the way to business success with tactics that are RM and consumer focused, they have set an example of exactly how successful a corporation can be when the tactics of RM are standardized, set within the company, and utilized with a focus on effective customer service in order to create effective word of mouth, which in today's day and age is social media, advertising, they have utilized an approach to use the consumer's powers, aligning with them, to the benefit of their company reputation. Overall, paying attention to the growing customer power and voice present on social media reviews should be a lesson for all companies to implement standardized, successful RM practices, much like Apple, in order survive in the shifting corporate world. Technology has provided the corporate world with an entirely new set of challenges as we near the next new decade, and the answer to not only success, but survival, lies in the successful implementation of RM practices.

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