

DEFINITION

Relationship marketing

Relationship marketing is the creation of customer loyalty. Organisations use combinations of products, prices, distributions, promotions and services to achieve this goal. According to Philip Kotler 'Relationship marketing is the process of building long term trusting win-win relationship with customers, distributors, dealers and suppliers. It promises and delivers high quality efficient services and fair prices to the other party overtime. It results in strong economic, technical and social ties between the marketers and the customers.

According to the American Marketing Association, "relationship marketing is marketing with the conscious aim to develop and manage long term and trusting relationship with customers, distributors, suppliers or other parties in the marketing environment.

There are three general levels of selling relationships with customers:

- **Transaction selling:** customers are sold to and not contacted again.
- **Relationship selling:** the seller contacts customers after the purchase to determine if they are satisfied and have future needs.
- **Partnering:** the seller works continually to improve its customers' operations sales and profits.

Most organisations focus on single transaction with their customers. When we go to KFC and buy a burger. They will never contact you unless you visit them for another purchase.(This is an example of transaction selling.)

Relationship marketing focuses on the transaction-making the sale-along with follow up and service after the sale.The seller contacts the customer to ensure satisfaction with the purchase. For eg.when you buy a car,the car company contacts each buyer of new vehicle to determine the customer satisfaction with the car(an example of relationship selling).

Organisations have started realising the need to identify their most important customers and designate them for their partnering programmes. The familiar 80/20 principle states that 80% of sales come from 20% of company's loyal customers. The organisations best salespeople are assigned to sell and service these customers.

Though partnering is not very popular in India but the concept of relationship marketing is picking up.

Relationship marketing is a facet of customer relationship management ([CRM](#)) that focuses on customer loyalty and long-term customer engagement rather than shorter-term goals like customer acquisition and individual sales. The goal of relationship marketing (or customer relationship marketing) is to create strong, even emotional, customer connections to a brand that can lead to ongoing business, free word-of-mouth promotion and information from customers that can generate leads.

Relationship marketing stands in contrast to the more traditional [transactional marketing](#) approach, which focuses on increasing the number of individual sales. In the transactional model, the return on [customer acquisition cost](#) may be insufficient. A customer may be convinced to select that brand one time, but without a strong relationship marketing strategy, the customer may not come back to that brand in the future. While organizations combine elements of both relationship and transactional marketing, customer relationship marketing is starting to play a more important role for many companies.

Effective relationship marketing involves a variety of overlapping strategies and technologies that help foster a deeper, long-term relationship with current and prospective customers.

Importance of relationship marketing

Acquiring new customers can be challenging and costly. Relationship marketing helps retain customers over the long term, which results in customer loyalty rather than customers purchase once or infrequently. Relationship marketing is crucial due to the following reasons:

- It helps in repeat sales which raises the sales volume of the company and enables a business to succeed and grow.
- It helps to reduce advertisement cost and time involved in business transaction.
- It creates loyal customers who bring new customers through word-of-mouth publicity.
- Retaining existing customers and creating new customers has become a difficult and challenging task due to increase in competition.
- Strong customer relationships help to improve company's brand image.
- Long-term relationships with customers help to generate ideas for new products.
- Service sector is growing rapidly and relationship marketing is very important in the marketing of services.

Relationship marketing is important for its ability to stay in close contact with customers. By understanding how customers use a brand's products and services and observing additional unmet needs, brands can create new features and offerings to meet those needs, further strengthening the relationship.

Role of Personal selling in relationship marketing

- Salesperson are the main means of direct and close contact with customers.
- Salesperson can tailor their approach and behaviour to match the needs and problems of different customers
- Good salespeople know and understand the interaction process.
- Relationship-selling requires a shift from 'closing the sale perspective to building enduring relationships with customers. Salespersons can have dynamic participation throughout the interaction process.
- Relationship marketing requires adaptive selling which is possible only in personal selling. Salespeople show a high level of relationship selling when they appreciate and value relations with customers. They take actions to develop , nurture and strengthen relations with customers.

- Personal selling also plays a vital role in transmitting large amount of complex information about the company's policies and products.
- It is also useful for adapting product offerings or promotional appeals to the unique needs and interests of specific customers.
- It is also helpful in convincing customers that the firms products or services are better on atleast some dimensions than similar offerings of competitors.

Benefits of relationship marketing

Benefits of relationship marketing include:

- **Higher customer lifetime value (CLV).** Relationship marketing creates loyal customers, which leads to repeat purchases and a higher CLV. In addition, loyal customers are likely to become brand advocates or **ambassadors**, recommending products and services to friends, family and business associates.
- **Reduction in marketing and advertising spend.** Spending on marketing and advertising to acquire new customers can be expensive. Relationship marketing causes customers to do the marketing for a brand, in what's called **buzz marketing**. Customers tell others about a brand's products and services, which can drive sales. Brands with exceptional relationship marketing programs spend little to no money on marketing or advertising.
- **Stronger organizational alignment around the customer.** Organizations that emphasize relationship marketing have a stronger organizational alignment around an exceptional customer experience. The teams work together to create satisfied and happy customers over the long term.

Examples of relationship marketing

- Provide exceptional customer service, as customers who are consistently impressed by a brand's customer service are more likely to remain loyal to the brand.
- Thank customers through a social media post or with a surprise gift card.
- Solicit customer feedback through surveys, polls and phone calls, which can create a positive impression that customer opinions are valued and help to create better products and services.
- Launch a loyalty program that rewards customers for their continued patronage.
- Hold customer events to connect with customers and build a community.

- Create customer advocacy or brand advocacy programs to reward customers who provide word-of-mouth advertising on a brand's behalf.
- Offer discounts or bonuses to long-time or repeat customers.