

2

Characteristics of RM

Learning objectives

After reading this chapter, you should be able to:

- Explain what is meant by a relationship in marketing.
- Distinguish the main characteristics of RM from those of TM.
- Define RM and analyse the main components of the concept.
- Identify the main aim of RM.
- Evaluate the applicability of RM to different markets and customers.

Introduction

RM is offered as an alternative strategy to the traditional marketing mix approach, a means of obtaining sustainable competitive advantage and the best way to retain customers in the long run. This chapter begins by defining RM and proceeds to what is meant by a relationship and with whom the company should have a relationship.

The main characteristics of RM are then identified and compared and contrasted with those of marketing mix or transaction marketing (TM). This is followed by a discussion of different levels of RM and its benefits for customers and companies as well as a discussion of the relationship continuum.

Although the content of this chapter is largely theoretical, it provides the rationale for the more practical techniques discussed in later chapters.

RM defined

Two decades have passed since Berry (1983) first used the term RM, and longer since the concept has been studied under different names. Indeed, Culliton (1948: 26) used the term 'customer relationships' well over fifty years ago. Yet there is still no universally agreed definition of RM, let alone a universally agreed theory. According to Buttle (1996) RM has yet to acquire uncontested status and meaning. Palmer (1996) has argued that discussion of RM has failed to position the concept, and that consequently interpretations range from sales incentives to a core business philosophy.

The processes involved and how far within the micro and macro environments of a company RM should be applied are under debate, and will continue to be so for some time to come.

There are, however, indications that a consensus is on the horizon, based on the definition of RM by Gronroos and the commitment–trust theories of RM as proposed, among others, by Morgan and Hunt (1994). Harker (1999) has examined 26 random definitions of RM and pointed to the differing opinions about what should and should not be at the core of what constitutes RM. He has pointed out that one of the main reasons for the difference of opinion is that those who have contributed to the development of RM theory come from an extremely varied socio-political heritage and academic background. He rightly concludes that Gronroos's definition is the best in terms of its coverage of the underlying conceptualisations of relationship marketing and its acceptability throughout the RM community.

According to Gronroos, marketing in relational terms means:

To establish, maintain and enhance relationships with customers and other partners, at a profit so that the objectives of the parties involved are met.

This is achieved by mutual exchange and fulfilment of promises.

(Gronroos, 1997: 327)

This book adopts this definition, and the framework it follows is largely built around this definition.

What is a relationship?

In order to understand that direct marketing and database marketing per se and many other types of interaction between suppliers and customers are not RM, and to gain a better understanding of the concept, a discussion of the meaning of the word relationship in a marketing context is required. The marketing context is emphasised here because a philosophical or socio-psychological examination of what constitutes a relationship would require a significant volume of its own and is not, in any case, necessary for the purposes of this book.

Does a relationship exist merely because a supplier and a customer do business with one another from time to time, or can it only exist when both

parties perceive a relationship to exist between them and conduct business according to certain obligations and mutual understandings? Does repeat purchase mean there is a relationship between a supplier and a customer?

It is generally accepted that a series of transactions where the supplier and buyer do not really know each other does not constitute a relationship. Belois (1998) points out that in consumer markets the term RM is often employed because a database is being used to underpin a supplier's marketing activities. In such cases customers are usually not conscious that they are participants in what is meant to be a RM campaign.

For the purposes of RM the term relationship refers to voluntary repeat business between a supplier and a customer where the behaviour is planned, cooperative, intended to continue for mutual benefit and is perceived by both parties as a relationship. This approach means that repeat purchase through lack of alternative suppliers or the operation of lock-in programmes and loyalty schemes cannot be defined as RM.

Relationships with different stakeholders

In this text it is the relationship between a company and its customers which is the focus of attention, but for RM to be successful, a long-term and mutually trusting and committed relationship with other stakeholders is also required.

Morgan and Hunt (1994) discuss four categories and ten types of relationship, while Gummesson (1999) outlines thirty types of relationship. The six markets model by Christopher *et al.* (1991: 21–31), however, seems to have gained a wider acceptance. The model includes customer markets, internal markets (treating individuals and departments within an organisation as customers and suppliers), referral markets (referral and advocate sources), supplier markets, potential employee markets (those who may potentially work for the company) and 'influence' markets (government, financial organisations, etc.) (Figure 2.1).

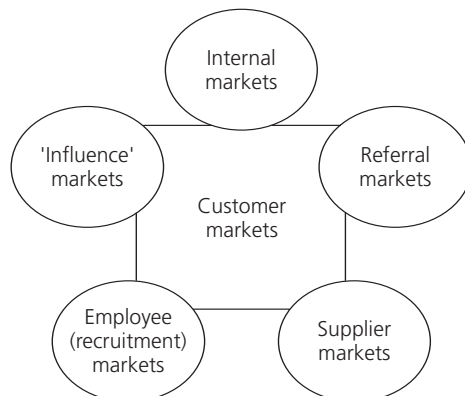


Figure 2.1

The Six Markets model

Based on the six markets model, the emphasis of this book will be on the customer markets. Chapters four to seven, however, will also deal with supplier and internal markets in some depth, while brief references will be made to the other three. This apportions discussion according to the relative significance of these markets to the task of RM.

Deciding who to have a relationship with

RM is not advocated in all situations and with all customers; only where it would be profitable for the company and with those customers who wish to engage in such a relationship.

Gummesson (1994) points out that *some marketing is best handled as TM*. Gronroos adds:

In some situations, if the customers are not in a relational mode or if a relational strategy cannot be justified from an economic standpoint, it may be more profitable and suitable to adopt a transactional intent and create a marketing strategy that is transactional in nature.

(Gronroos, 1997: 409)

Palmer (1996: 18) proposes that ‘Although relationship marketing may be very attractive for many products and markets, its adoption may be inappropriate in others.’ He suggests four main reasons for this:

- Parties in a transaction may not necessarily wish to forgo the chance for opportunistic behaviour.
- One or both parties may view the relational exchange as a short-term means of acquiring those competencies that will allow them to bargain from a position of strength in the future.
- The cost of loyalty schemes could make them uneconomical.
- Buyer–seller relationships could develop to a point where they become anti-competitive.

<div>Table 2.1</div> <div>Relational and transactional customers</div>	Customer mode	Customers’ expectations and reactions
	Transactional mode	Transactional customers are looking for solutions to their needs at an acceptable price, and they do not appreciate contact from the supplier or service provider between purchases.
	Active relational mode	Active relational customers are looking for opportunities to interact with the supplier or service provider in order to get additional value. A lack of such contacts makes them disappointed, because the value inherent in the relationship is missing.
	Passive relational mode	Passive relational customers are looking for the knowledge that they could contact the supplier or service provider if they wanted to. In this sense they too are seeking contact, but they seldom respond to invitations to interact.

Source: Gronroos, 2000: 36. Reprinted with permission of John Wiley & Sons, Ltd.

Gronroos (2000: 36) distinguishes between those customers who wish to have a transactional exchange with suppliers and those seeking either an active or passive relationship with them (Table 2.1).

Conditions that are conducive to RM

The question of who a supplier pursues a relationship with and the conditions that are conducive to RM are interrelated. Szmigin and Bourne (1998) argue that the value of the relationship, and by implication the desire to commit to it, will depend on the nature of the service, the nature of the consumer and the nature of the situation.

Berry (1983), discussing the service sector, identifies three conditions for the applicability of RM:

1. The customer ought to show a continuing and periodic desire for the service;
2. The service customer must be able to select the service provider;
3. There must be a choice of suppliers available to the customer.

Berry adds that very few service firms sell one-time services and in most cases the above conditions apply. This lends itself to building relationships with customers. He further asserts (1995) that where there is a demand for services which are continuously or periodically delivered and that are 'personally important, variable in quality, and or/complex' there is potential for RM. Additionally, he points out that high involvement services, such as banking, insurance and hairstyling services, have the characteristics which lend themselves to relationship building – importance, variability, complexity and involvement. Berry believes that generally the intangibility of services and the heterogeneity of labour-intensive services encourages customer loyalty. He gives auto repair business as an example – the firm would want loyal customers and those customers also would want to find a repair firm to whom they could stay loyal.

Contrast with TM

A useful aid to understanding RM is to contrast it with TM, so called because the traditional marketing mix approach to marketing deals mainly with customer *getting* rather than customer *keeping*. In TM companies have focused on single sales and closing individual deals. Mass advertising and sales promotion campaigns have been aimed at selling as many products as possible to as many customers as possible. In most cases, as long as customers have walked through the door, little concern has been shown as to whether they are new customers or existing ones. In many business sectors, for example insurance services, historically a heavy emphasis has

been placed on customer getting rather than customer keeping. This situation has been made worse by the typical reward structures existing in many companies, in which sales staff are given low basic salaries which can only be topped up by commission earned from making sales to new customers. Consequently, marketers have put greater effort into attracting prospects and turning them into customers. Product features, gimmicks and sales promotion are the main tools used to win customers, but once the sale has been made the customer is often regarded as a nuisance unless he wishes to make another purchase.

RM focuses on customer *keeping*, rather than purely customer *getting*. Importance is attached to the lifetime value of a customer to a company rather than the value of a single sale. In consequence, a high level of importance is attached to customer service, quality and product benefits rather than product features and gimmicks. Contact with customers is encouraged and provision of quality and adherence to customer orientation is regarded as a concern for the entire organisation. RM attempts to satisfy customer needs and wants as closely as possible by trying to get to know customers individually, or at least in much smaller segments than in the past, and to tailor products for them accordingly rather than offer ‘one size fits all’ products.

Transaction marketing	Relationship marketing
<ul style="list-style-type: none">● Focus on single sale● Orientation on product features● Short timescale● Little emphasis on customer service● Limited customer commitment● Moderate customer contact● Quality is primarily a concern of production	<ul style="list-style-type: none">● Focus on customer retention● Orientation on product benefits● Long timescale● High customer service● High customer commitment● High customer contact● Quality is the concern of all

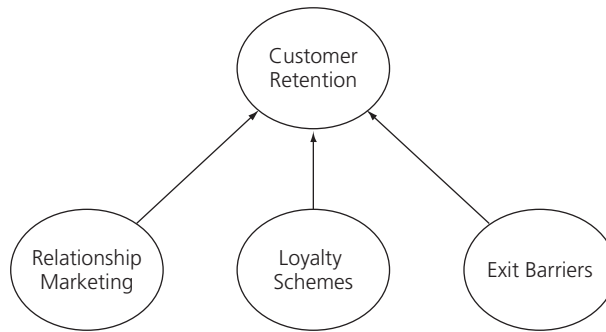
Adapted from Christopher *et al.* (1991: 9). Reprinted with permission of Elsevier Science Ltd.

Customer retention and RM

For the reasons discussed in Chapter one, customer retention is a major concern of many companies. Advocates of RM believe that adherence to a genuine customer orientation philosophy and operating from a platform of RM can enable businesses to retain their customers by gaining their loyalty and commitment. Hence, it is suggested that RM is the most effective way to retain customers on a mutually beneficial basis and over a period of time. Retention devices such as coupons, loyalty schemes, exit penalties, tie-ins and other structural ties which make exit difficult (see Figure 2.2) are regarded as weak variations of RM or as not RM at all, even though their operators may claim that they are. The main objective of RM, for compa-

Figure 2.2

Methods of customer retention



nies adopting it, is to retain customers by gaining their loyalty based on mutual commitment. Due to the similarity of core products and the difficulty of differentiating them on the basis of physical attributes, organisations are adopting RM in an attempt to encourage key customers either to stay with them or to come back. In other words, the objective is to create loyal customers by means other than economic factors and product attributes. Thinking of marketing in terms of *having customers*, not merely *acquiring customers* is crucial for service firms (Berry, 1983).

Loyalty is taken here to mean a commitment by a customer to a supplier which is based on choice. According to Lovelock *et al.* (1999), in a business context loyalty describes

A customer's willingness to continue patronising a firm over the long term, purchasing and using its goods and services on a repeated and preferably exclusive basis, and voluntarily recommending the firm's products to friends and associates.

(Lovelock *et al.*, 1999: 183)

Bowen and Shoemaker (1998: 13) assert that 'In essence, relationship marketing means developing customers as partners, a process much different than traditional transaction-based marketing'. Peppers and Rogers (1995: 48) add: 'The objective of this new marketing paradigm – called "one-to-one" marketing or "relationship marketing" is to give an enterprise the capacity to treat its customers as individuals and thereby develop a continuing business relationship with them.'

It is suggested that in today's competitive environment and with customer choice prevailing, RM offers the best route to gaining competitive advantage by offering customers added value in the form of customised solutions.

On the other hand, RM has been hailed as a paradigm shift (Gronroos, 1994; Gummesson, 1999). According to Gummesson

A paradigm shift implies that a science or discipline is given a new foundation, with new values, new assumptions, or new methods. The accepted and established must be set aside.

(Gummesson, 1999: 252).

Hence today RM is regarded as a more relevant approach in the present world of marketing – one that has more logical underpinnings and is more in tune with the basic philosophy of marketing, i.e. customer orientation.

The RM approach presents key strategic and tactical implications for the firm and major changes in the philosophy of the business are required. Using direct marketing techniques and developing partnerships alone are not sufficient (Gronroos, 1996).

Based on Gronroos's definition the following are the main characteristics of RM.

Characteristics of RM

Long-term orientation/horizon

Long-term orientation is a key feature of RM. It assesses success in terms of how long a customer is kept in the relationship and the share of 'customer wallet'. RM involves estimating customer lifetime value and engaging in relationships based on the value of those relationships over a number of years.

Gummesson (1999) highlights long-term collaboration and *win-win* as a key feature of RM. That means viewing suppliers, customers and others as partners rather than opposite parties. This view promotes collaboration and the creation of mutual value, RM should bring about a win-win rather than a win-lose situation created by the adversarial nature of transactional marketing.

Commitment and fulfilment of promises

RM implies a long-term relationship and forsaking of other suppliers by the customer, as well as mutual exchange of information. This suggests that there ought to be trust between the parties; that each party believes in the integrity of the other to keep their promise and to deliver on promises; also that each party believes the relationship to be valuable enough to invest in and to commit to. Nurturing of trust and commitment is particularly important as it is clear now that satisfaction alone does not necessarily lead to customer loyalty. Satisfied customers may still wish to look elsewhere for bargains, change/novelty, etc. RM relies on fostering a bond between the customer and the supplier which is glued with empathy. Bonding is the result of the customer and supplier acting in a unified way towards the achievement of desired goals (Callaghan *et al.*, 1995) and empathy is the dimension of a business relationship that enables the two parties involved to see the situation from the other's perspective and to understand their desires and goals (Yau *et al.*, 2000).

Satisfaction, trust and commitment are important and key concepts within RM and will be discussed separately in Chapter three.

Customer share not market share

RM shifts the emphasis from concentrating on gaining share of market and rewarding its employees for the new business which they bring in. Instead, it concentrates on keeping customers and attempting to gain a bigger share of their 'wallet' by selling more of the same product or by cross-selling to them. This is a very important shift, because traditional marketing puts the emphasis on market share and success is usually measured in a short timescale, i.e. growth in market share per annum. For example, Day *et al.* (1979), in what is regarded as a 'classical' paper, and from a traditional platform, say that share of market is a crucial tool for the evaluation of performance and for using as a guide for advertising, sales force and other budget allocations.

Concentrating on customer share implies a long-term orientation and requires that success is measured and rewarded differently. According to Peppers and Rogers (1995), this approach implies that a customer with high potential is treated as an individual whose needs are addressed and an attempt is made to persuade him to buy more of the company's products during the lifetime of the relationship.

Customer lifetime value

The lifetime value of a customer is a key element in the practice of RM. It is not economical for a supplier to invest in long-term relationships with all customers – not that all customers would necessarily want such a relationship. The supplier has to identify those customers who are willing to enter a long-term relationship with his company, forecast their lifetime with the company, and then calculate those customers' lifetime values in order to identify the ones with whom it will be profitable for the company to have a relationship. RM costs money and maintaining a customer can be expensive, hence long-term customers should be selected carefully. Calculating a customer's lifetime value is not a precise science, and each company will need to experiment and improve those techniques that are used to predict how much business a customer is likely to do with them.

Generally, a customer's purchase profile, as well as the purchase profile of the segment to which the customer belongs, are studied and an estimate is made of the amount of purchases which the customer is likely to make over a given period and therefore the profit the company can expect from the customer. An estimate of the possible referral business by the customer is added to that figure. Then, on the minus side, the cost of products to be sold to the customer as well as the cost of keeping him in the relationship are calculated. This is subtracted from the first figure to show if the lifetime value will be attractive to the company.

Two-way dialogue

A further requirement of RM is the facilitation of a two-way dialogue between the supplier and the customer in order to identify needs and to find solutions. Indeed, RM is ultimately about partnering and partnerships are built on, and maintained by, dialogue and communication. A properly designed RM system should provide ample opportunity for the customer to initiate communication with the supplier. The flow of information must be a two-way process. While this happens frequently in industrial and business-to-business sectors, it ought to be a part of RM in mass consumer goods and services markets too. This is now possible with the continuous improvements in technology. Gummesson (1999), viewing RM as relationships, networks and interaction, proposes that 'This initiative to action cannot be left to a supplier or a single party of the network, everyone in a network, can, and should, be active.'

Wolfe (1998: 449) has argued that if dialogue is not to ring hollow and to be fully satisfying to all parties involved there are three conditions which must be fulfilled:

- Conversational reciprocity: each party allowing the other to condition its responses, i.e. 'I influence you; you influence me.'
- Reciprocal empathy: each party reaches out to identify with and understand the other party's circumstances, feelings and motives.
- Reciprocal vulnerability: both sides in a relationship let down their guard to some level that remains safe and comfortable yet allows information to flow and trust to build.

The conditions set out above are in line with Berry's (1983) writings, and show that database and direct marketing, with their characteristic one-way flow of communication from supplier to customer, are not RM, even though 'relationship building' has now become a buzz phrase for the practitioners in those fields.

Customisation

Berry (1995) asserts that through RM service providers gain a better knowledge of the customer's requirements and needs. This knowledge can then be combined with social rapport built over a number of service encounters to tailor and customise the service to customer's specifications. An important requirement or feature of RM is that of customisation of product and communication for each customer. Customisation in mass markets, however, is rarely a totally unique offering for one customer and no other. Often it takes the form of using basic designs both for products and communication and adapting them to the requirements of individual customers, or microsegments of the markets. Hence, the term mass-

customisation is used. Mass customisation is a recognition of the fact that today increasing competition and customer power is fragmenting mass markets into smaller markets, and that the 'one size fits all' strategy of traditional marketing no longer applies. It is an attempt to create added value, and many companies, utilising improvements in technology and flexible processes, are able to engage in the practice profitably. Mass customisation is an important advantage of RM to customers and one of the rewards they can expect in return for their commitment to a supplier.

Gilmore and Pine (1997) propose four approaches to customisation which companies can adopt in order to make it economically viable:

1. *Collaborative customisation* – this approach involves the company engaging in a dialogue with the customers, helping them to articulate their needs. The company then, through continued dialogue, identifies the offering that would precisely satisfy those needs and develops customised products for each individual customer. Gilmore and Pine suggest that this is most appropriate where customers cannot easily articulate their requirements, and where size, fit, functionality, performance, etc. are highly desirable features, e.g. a bridal dressmaker or a garden designer.
2. *Adaptive customisation* – an offering that is standard, but so designed that the customer can alter or customise it. This is appropriate where customers want to use the product differently on different occasions, e.g. interchangeable mobile phone covers, or a Mercedes Smart Car whose exterior panels may easily be changed to different styles.
3. *Cosmetic customisation* – customisation of the packaging of a standard offering, e.g. printing of the customer's name or logo on a standard product such as a T-shirt.
4. *Transparent customisation* – a situation where unique goods or services are offered to customers without informing them explicitly that the offering has been customised. This is appropriate where customers' needs are predictable, or when customers do not wish to repeat their requirement at every transaction, e.g. catalogue clothing retailer Lands End Inc. operates an intelligent website which uses information about the customer's previous purchases and those of customers with a similar profile to recommend product offers.

The relationship continuum

RM has a substantial record and history of acceptance and practice in the field of business-to-business and industrial marketing, where the number of people involved in the interaction is smaller than, and the nature of decision-making different to, the mass consumer markets to which RM is now being

applied. The large number of customers in mass consumer markets and the variations in consumer needs and behaviour begs the question: Should a company attempt to have a relationship with all of its customers? The answer is a definite no. RM is very expensive and requires a great deal of effort. The company should concentrate on those customers with whom it would be profitable to have a relationship. This has to be further narrowed down to those customers who are willing to have a relationship with the company.

To help with this task, the company should identify where on the continuum of interaction its business and customers lie, and calculate customer lifetime values (Table 2.2).

Table 2.2	RM	RM–TM continuum	TM
	←		⇒
The RM–TM continuum	High customer anxiety		Low customer anxiety
	High degree of contact		High contact unnecessary
	Confidence, social and special benefits valued highly		Standard products
	Customers in favour of having a relationship with the supplier		Customers do not seek a relationship with the supplier

Levels of RM

Palmer (1996) identifies three levels of RM in which a supplier may engage:

1. *Tactical.* At this level RM is used as a tool for sales promotion. This is best exemplified by the numerous loyalty schemes which were introduced in the 1990s and, in practice, created loyalty to the incentive rather than to the supplier. These were easily copied and quickly lost their competitive advantage.
2. *Strategic.* At this level which, as with tactical level RM is supplier led, customers are tied in by a mixture of legal, economic, technological, geographical and time bonds. This type of strategy depends for its success on no legal or technological changes occurring so that the customer, through either lack of power or knowledge, stays with the supplier. Obviously this can easily turn into a form of detention, which is not what real RM is about.
3. *Philosophical.* Palmer proposes that, focusing on customer needs and operating from a genuine customer orientation platform, a philosophical commitment to RM turns away from products and product life cycles and focuses on customer relationship life cycles. A philosophical dedication to RM implies ‘using all employees of an organisation to meet profitably the lifetime needs of target customers

better than competitors'. This approach to RM does not try to 'lock in' customers but to gain their affective commitment by giving the same in return. RM at its highest and most effective level requires a genuine customer orientation and the facilitation of partnering. It is important to recognise that there is a big difference between RM and mere customer retention.

Benefits of RM

Benefits for suppliers

We saw earlier how some regard RM as the best way to retain customers in the long run by creating added value for them and in so doing gaining competitive advantage in an increasingly competitive world. Bejou *et al.* (1998) refer to a number of studies which show that *where there is a heavy reliance on credence qualities* development and maintenance of satisfactory long-term relationships with customers could result in increased customer loyalty, and that this is particularly useful in intangible service industries. It has also been suggested that loyal customers created through RM strategies are more likely to respond favourably to cross-selling efforts by suppliers (Reichheld 1996; Mittal and Lassar, 1998), enabling companies to gain a bigger share of customer wallet. Additionally, Reichheld (1996) has pointed out that loyal customers take less of a company's time in personal selling, are less price sensitive, bring the benefit of word of mouth advertising and have no acquisition or set-up costs, e.g. lower interest rates offered by credit card companies to new customers who transfer their accounts from other credit card companies, or gift vouchers offered by insurance companies to new customers. Mittal and Lassar (1998) have argued that loyal customers mean spending less money on advertising, personal selling and the setting up of new accounts. Similarly, greater profitability is identified as an advantage of loyal customers because the cost of recruiting new customers and other marketing expenditure, e.g. advertising, is reduced.

Benefits for customers

RM requires customers to commit themselves to a particular supplier and to divulge a great deal of information about themselves to that provider. This means the customers have to trust the supplier and believe that the information they provide will be treated with confidence and sensitivity. More importantly this commitment means forgoing the benefits of acting opportunistically and not looking for bargains, discounts and better deals elsewhere, preferring instead the possible long-term benefits of doing business with the same supplier. The benefits which customers might thus expect, e.g. high quality service, customised products, feeling valued, reduction of anxiety, are often implicit in the literature. In fact, the

majority of academic literature and research focuses on the benefits of RM for businesses.

One of the few studies which makes the benefit for customers its major focus of attention is that by Gwinner *et al.* (1998). Assuming that the customer has a choice among service providers and hence the option of switching, they posed the following questions from the customer's perspective:

1. What are benefits of maintaining a relationship with a service firm?
2. Which relational benefits are greatest?
3. Can predictions be made about relational benefits on the basis of the type of service?

Briefly, their conclusions were that:

1. Consumers engaged in long-term relationships with service providers experience three primary types of benefits: confidence, and social and special treatment. These benefits are experienced in addition to the core service benefits, and are applicable in all types of service relationships.
2. Confidence benefits are the most important. These relate to a reduced sense of anxiety, trusting the provider and reduced perceived risk and anxiety.
3. Confidence benefits are rated highly regardless of the type of service. Social (friendship/fraternisation with the provider) and special treatment benefits (economic and customisation) were more highly rated in services where there is a high degree of employee–customer contact, and rated least important in moderate contact situations and the standardised type of services where the opportunity for customisation and personal service was low.

Bejou *et al.* (1998) also refer to reduced perceived risk as a benefit of RM for customers.

Disadvantages of RM

Belois (1998: 256–270) summarises the five possible negative factors or disadvantages of engaging in a relationship put forward by Hakansson and Snehota (1995) as follows:

- *Loss of control* – developing a relationship inevitably results in some loss of control over matters such as resources, activities and intentions.
- *Indeterminateness* – a relationship is subject to continuous change, with an uncertain future which is, in part, determined by its history but also by current events and the parties' expectations of future events.

- *Resource demanding* – effort is required to build and maintain a relationship. This can be viewed as an investment and a maintenance cost.
- *Preclusion from other opportunities* – there is always a need to prioritise the use of limited resources and, hence, it may not be possible to pursue all of the individually attractive opportunities. Additionally, some relationships may be irreconcilable with an existing relationship.
- *Unexpected demands* – given that the two parties in a relationship will also have other relationships, establishing a relationship means being linked, if only passively, into a network of relationships. Such linkage to or membership of a network may bring with it obligations or expectations by others of specific behaviours.

It is clear, therefore, that engaging in a relationship requires time, cost and effort on the part of the parties involved and that these have to be weighed against the expected gains.

Further considerations

While enthusiasm for RM is shared by many, there are some who are sceptical and others who advise caution. RM is expensive, more suitable to some markets than others and not all customers want a relationship with suppliers. Additionally, courting of most valuable customers and giving them preferential treatment could create resentment on the part of the remaining customers, whose business could be a source of income that a business may not wish to forgo.

Fournier *et al.* (1998) have highlighted some of these concerns; the following is a summary of the points they made. Although they were concerned with the US market the same could be said to be true in the UK and in other European markets too.

- RM is in vogue – academics extol its merits while practitioners claim they are engaged in it.
- In the real world, however, consumers talk about the confusing, stressful, insensitive, and manipulative marketplace in which they feel trapped.
- Companies are taking 'delight' in increasingly using information about customers and adding 'features and services' to their offerings. 'But customers delight in neither. Customers cope.'
- Customer satisfaction is lower than ever before.
- Companies are rushing in to reap the rewards of RM while 'skimming over the fundamentals of relationship building', i.e. building customer trust and operating from a platform of customer orientation.

- The number of companies wishing to build a relationship with customers is too large, an overkill, and untenable for customers.
- A good relationship enjoys a balanced give and take, but all too often companies ask customers for 'friendship, loyalty, and respect' without giving them in return. The focus often seems to be on the company rather than on the customer.
- There are times when the treatment a company gives its valued customers leaves others, who also generate revenues and may be loyal but don't spend enough money, feeling unappreciated.
- Companies must start to behave in a way that enables them to regain customers' trust by treating them as valued partners. This is necessary because in the past marketers have generally acted to destroy customer respect and confidence.
- Additionally, customer intimacy and the way information about customers is handled must be thought through carefully and with sensitivity.
- Ongoing research and attempts to understand customers by everyone in the organisation are crucial to the success of RM.

Summary

In this chapter Gronroos's definition of RM was adopted for the book, and the characteristics of RM were highlighted. We discussed how a genuine RM programme has a long-term orientation and is based on a relationship for mutual benefit, nurtured by fulfilment of promises and kept going by trust and commitment. Two-way dialogue was also identified as crucial for the success of RM.

It was further pointed out that not all customers want a relationship with suppliers and that it is not profitable to have a relationship with all customers. The concept of lifetime value and the importance of the right conditions for RM were presented. For example, it was stated that where there is continuous demand for a service which is variable in quality and personally important there is the potential for RM. Additionally, the benefits of RM for both suppliers and customers were discussed; for example, that customers could benefit from reduced anxiety while suppliers could benefit from increased profits and lower costs.

Case Study *Intimacies*

They stroke you, caress you, and you pay them to do it.

Sarah Ebner on the roots of a woman's relationship with her hairdresser.

It has been almost a year, but Monjana Biswas is still trying to avoid her hairdresser. 'When you live in a small place like Cheltenham, it's so easy to bump into someone you don't want to', she says. 'I sometimes see him in a local wine bar and try not to make eye contact. You feel so guilty when you move on and it's not as if you can break the news in a sympathetic way. It feels like such a betrayal.'

Biswas, 29, is suffering from an affliction that can hit us all – hairdresser guilt. The reason is simple; our cut has made us unhappy, it's time for a change, but breaking the ties that bind us – long chats, intimate moments, gentle caressing of your locks – can be painful.

The relationship between a woman and her hairdresser is unique. There aren't many people a woman visits regularly, confides in and trusts enough to alter her physical appearance, sometimes radically. After 20 years with long hair, Jo Greene thought it might be time for a change. 'My hairdresser convinced me that it was right to cut my hair,' she says. 'She told me I should go for it and she was right. It really made me feel good about myself.'

'I love my hairdresser!' she adds, laughing. 'I really enjoy going to see her. We're at different phases of our lives – I'm a married thirty something and she's a single twenty something – and it's good fun to catch up with each other.'

Traditionally women found a hairdresser and stuck with them through thick and thin. But times are changing, says Franco Della Grazia, head of two central London salons called Franco & Co., 'British women have become a lot more savvy. They won't simply stick around if they don't think you are providing what they want.'

But Biswas argues that the fate of your tresses isn't everything. 'I enjoy the whole experience of going to the hairdresser,' she explains.

'The cut isn't the important thing. I like to have a proper chat, too.'

Hairdressers have to be instant psychologists as well as confidantes. Working on this assumption, American campaigners against domestic violence have taken their crusade into the hairdressing salon. The idea originated in Connecticut where local women's centres trained stylists to spot signs of abuse and gently hint to their clients that help was available. The idea has since been picked up across the US.

Nicole Singer, 24, works in London and is Greene's hairdresser. 'When I started out,' she says, 'I was amazed when some people told me really personal things. Hairdressers are good to speak to because they are completely separate from their clients' lives. There can definitely be a special relationship between a woman and her hairdresser.'

The place hairdressers occupy in our lives regularly makes it to the big screen. Warren Beatty not only cut women's hair, but made more intimate acquaintances in *Shampoo*. Craig Ferguson's gay crimper featured in 1999's *The Big Tease* and Alan Rickman has recently snipped away in *Blow Dry*. All three, obviously, are men. Around 70 per cent of all hairdressers are women, but the most famous – Trevor Sorbie, Nicky Clarke and Vidal Sassoon – are men.

This fact has caused some female hairdressers angst and it has been explained away by reasons that verge on the sexist. One male hairdresser insisted that men were better businessmen and sold themselves better and that women weren't really committed for the long haul and were in it for 'pin money'.

Meanwhile, one female hairdresser, who had her own problems making it to the top and has now closed down her salon, says it is harder for women to break through. 'It's ironic,' she says. 'If you walk down any high street, you will see that most of the hairdressers are women, but it's men who own the salons and men who

get to be famous. A lot of that is because of other women. They like to have their hair done by men – and to flirt with them.'

Some women are breaking through, though. Beverly Cobella was nominated for Hairdresser of the Year last year and other respected female hairdressers include Zöe Irwin at Stage Door (once described as the 'Stella McCartney of hairdressing'), Sally Brookes (artistic director of Trevor Sorbie) and doyenne Jo Hansford.

Greene finds no difference between male and female hairdressers. 'It's the personality that's important,' she says. 'They have to be empathic and make you feel good about yourself.'

Although Monjana Biswas is currently going to a female hairdresser, she usually prefers to see a man. 'Women are very reliable, but I don't think they are as daring or dynamic as men,' she says. 'Men style your hair in a way the

opposite sex are attracted to. It's not to do with them fancying you, it's just because blokes look at you in a different way.'

Nevertheless Biswas thinks that gay men make the best coiffeurs. 'You get the best of both worlds with a gay hairdresser,' she says. 'They have that slightly intuitive feminine side, but they also have the ability to see how the hair will look from the male perspective.'

The men's sector is the fastest growth area in hairdressing and that creates its own irony. 'I have a different relationship with my male customers,' Singer says. 'The conversations are more superficial and there's lots of flirting. Some women see male hairdressers to feel good about themselves. Now men seem to like female hairdressers for the same reason.'

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Discussion questions

1. Why is hairdressing a suitable business sector for RM? Relate the issues raised in the case study to the issues and concepts discussed so far?
2. How much do you think factors such as price, distance to travel, etc., bear on the decision to remain loyal to a hairdresser/stylist? Why?
3. As far as RM is concerned, what are the similarities and differences between a hairdresser's service, a car repair garage and an insurance broker?
4. Do you think that gender and/or age influence one's propensity to be loyal to a retailer or service supplier? Explain your answer.

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