

**THE RELATIONSHIP MARKETING
APPROACH AND STRATEGIES IN RETAILING
MANAGEMENT TO CONSTITUTE CUSTOMER
AND BRAND LOYALTY**

Ph.D. Mustafa KARADENİZ, Nav. Cdr.
Turkish Naval Academy
Director of Naval Science and Engineering Institute
Tuzla, Istanbul, Türkiye
mkaradeniz@dho.edu.tr

Abstract

Nowadays it is unavoidable for companies to create customer and brand satisfaction. The economic crisis and decreasing purchase potential enforced companies to develop new marketing strategies. In this context the concept of relationship marketing comes to the fore. Thanks to fast developments in technology, companies can follow customers shopping intervals and their shopping list and by this means, they make different applications to form loyal customer. In this study, relationship marketing approach has been analyzed to constitute customer and brand loyalty and interrelations among those concepts have been explained theoretically.

**PERAKENDE YÖNETİMİNDE MÜŞTERİ VE
MARKA SADAKATI OLUŞTURMADA
İLİŞKİSEL PAZARLAMA YAKLAŞIMI VE
STRATEJİLERİ**

Özetçe

Günümüzde müşteri ve marka sadakati oluşturmak işletmeler için olmazsa olmaz bir hal almaya başlamıştır. Yaşanan global ekonomik krizler ve azalan alım gücü etkisi, şirketleri yeni pazarlama stratejileri geliştirmeye itmektedir. Bu kapsamda, ilişkisel pazarlama yaklaşımı ön plana

The Relationship Marketing Approach And Strategies In Retailing Management To Constitute Customer And Brand Loyalty

çıkılmaktadır. Teknolojinin hızlı gelişimi ile birlikte artık şirketler müşterilerinin alışveriş sıklıklarını ve aldıkları ürünleri güncel olarak takip edebilmektedirler. Bu sayede sadık müşteri oluşturmak üzere çeşitli uygulamalar yapmaktadırlar. Bu makalede, müşteri ve marka sadakati oluşturmada ilişkisel pazarlama yaklaşımı ele alınmış ve aralarındaki ilişkiler teorik olarak açıklanmaya çalışılmıştır.

Keywords: *Relationship Marketing, Brand Loyalty, Customer Loyalty, Customer Relationship Management, Retailing Management.*

Anahtar Kelimeler: *İlişkisel Pazarlama, Marka Sadakati, Müşteri Sadakati, Müşteri İlişkileri Yönetimi, Perakende Yönetimi.*

1. INTRODUCTION

Relationship marketing is a philosophy to change eagerly the customers behaviours and implementations depending on what the customer is thinking about the company and what the personnel of the company should know about the customer.[1]

The value of a relationship as it is noted by the customer has been given a lot of thought in recent publications. Analogous to the customer-perceived value, the supplier-perceived value of a relationship signifies the supplier's perception of the trade-off between the benefits and the sacrifices incorporated in a relationship. The valuation of customer relationships takes into account all positive and negative contributions of the customer to the supplier's goals.[2]

The term relationship marketing has been used generally to include different activities, with distinction made between its philosophical, strategic and operational dimensions. Gronroos provided a general definition of the domain of relationship marketing when he described it as being about mutually beneficial exchanges and completion of promises by both parties in a series of interactions over the lifetime of their relationship. A number of recurrent themes have helped to define the domain of relationship marketing, especially trust, commitment, a long term orientation and co-operation. It has been noted that relationship marketing at the level of business to business exchange needs very different principles

and techniques with relationship marketing between a company and numerous low value personal customers.[3]

2. RELATIONSHIP MARKETING STRATEGY IN RETAILING MANAGEMENT

The primary focus of relationship marketing is towards building closer relationships with customers as a strategy to overcome problems such as obtaining global competitive advantage, coping with rapidly changing technologies and reducing “time-to-market” of new products.[4]

Relationship marketing is attracting, maintaining and –in multi service organizations- enlarging customer relationships. Servicing and selling existing customers is examined to be just as important to long-term marketing success as obtaining new customers. Good service is necessary to retain the relationship. Good selling is necessary to enhance it. The marketing mind-set is that the attraction of new customers is sorely the first step in the marketing process. Cementing the relationship, transforming indifferent customers into loyal ones, servicing customers as clients- this is marketing too.[5]

Towards the late 1980s and early 1990s, marketing research began to highlight the importance of developing relationships for efficient marketing. At this stage, the Center of Relationship Marketing was established at Emory University that brought the issue of relationship management into the mainstream.[6]

Relationship marketing has received important attention since the 1990s as consumers have become more demanding in their exchanges with firms and competition has intensified. Marketers have become interested in the potential of relationship marketing activities to deliver enlarged value to the customer over and above the firm’s product or service offering. Building strong customer relationships offers a significant competitive advantage due to the difficulty of direct imitation by competitors.[7]

*The Relationship Marketing Approach And Strategies In Retailing
Management To Constitute Customer And Brand Loyalty*

Relationship marketing is essentially about the advantages and threats of engaging in and sustaining mutually useful exchange relationships. Relationship marketing states that, in most cases, it is more beneficial for a company to engage with existing customers, and to increase customer loyalty, than it is to try to attract new customers. The idea of relationship marketing hints that exchange relations are not ‘one-off’ but are ongoing over the lifetime of the relationship.[8]

Competitive Marketing Strategy has relationship marketing as one of the key functionality in enlarging business performance. Relationship marketing is defined as the identification, establishment, maintenance, enlargement, modification and termination of relationships with customers to form value for customers and profit for organization by a series of relational exchanges that have both a history and a future.[9]

Due to increased competition and price pressures, understanding how to establish and sustain buyer-seller relationships is becoming increasingly paramount for marketers (Peltier, Schibrowsky, & Davis 1998). More specifically, managing an effective relationship in a consumer context is considered to be even more challenging than it is in a business context, given the generally more polygamous character of consumers as objected to business customers.

In general, the literature distinguishes between three levels of relationship marketing. A first level counts on pricing incentives to secure customer loyalty and is often referred to as ‘level one relationship marketing.’ A second level of relationship marketing focuses at the social aspects of a relationship exemplified by regularly communicating with consumers or referring to their name during an encounter. These socially inspired tactics are usually bundled into what is called ‘Level two relationship marketing.’ ‘Level three relationship marketing’ relates to offering structural solutions to customer problems, as argued by Berry (1995): ‘At a level three, the solution to customer’s problem is designed into the service-delivery system rather than relying on the relationship marketing goes beyond what is usely described as a loyalty program.

Loyalty programs are generally concentrated on level one and/or level two relationship marketing, and were identified by Sharp and Sharp (1998) as “... efforts on behalf of the company rewarding customers for their loyal behaviour.” Today, the use of loyalty programs as a technique for companies to enlarge customer loyalty is extremely popular as it is believed that both consumers and companies can reap benefits from it.[10]

Growing interest in Mass Customization has concentrated on the role of relationships. Proponents of mass customization point to the growing importance of applying an experiential perspective of consumer behaviour, hinting that all companies need to understand the complex subjectivity involved in consumption, and should look for develop unique formulations of products which satisfy each individual’s needs. For many products, there has been the tendency to shift from mass marketing of a homogenous product to anonymous buyers towards customization of product to meet the needs of known individuals whose needs have become observable through some form of dialogue based relationship.[11]

Loyalty is an elusive concept. In marketing literature, behavioural data is typically used to evaluate the loyalty of customer because its collection is easier and less costly to obtain. Behavioral data can include frequency of purchase, size of purchase, or share of wallet. The argument against behavioural data is that is it difficult to distinguish between spurious loyalty and true loyalty. Spurious loyalty includes a situation where the customer will migrate to alternatives at the first available opportunity. True loyalty is the state where customers may never think other options and may stay with an organization in spite of changes in factors such as price. Behavioural measures fail to differentiate between true and spurious loyalty and do not identify the factors that underlie the behaviour.[12]

Customers too enjoy exact benefits from relationship marketing, particularly, risk-reduction and social benefits. Gwinner, Gremler, and Bitner (1998) found that consumer relational benefits could be categorized into three apparent benefit types: confidence, social, and special treatment. Cannon and Homburg (2001) have found cost and value to be other

*The Relationship Marketing Approach And Strategies In Retailing
Management To Constitute Customer And Brand Loyalty*

important advantages looked for by the customer. Customers also appear to prefer certain styles of marketing from suppliers. When customers enter into a relationship with a firm, they are often eager to forego other options and to limit their choice. Some of the motivations to do so result from greater efficiency in decision making, reduction in information processing, achievement of greater cognitive consistency in decisions, and reduction of perceived risks associated with future decisions. Relationship marketing permits service providers to be more responsive to customer needs, thereby offering more value to their customers.

Although it has numerous benefits, relationship marketing appears to be an expensive alternative to firms practicing mass marketing due to comparatively high initial investments. So, firms that are used to traditional mass marketing are likely to adopt relationship marketing only if they are convinced that relationship marketing will profit them.

Relationship strategy is marketing strategy in the context of relationship marketing. According to Morgan (2000), relationship marketing can be a part of the firm's overall means of achieving its aims and objectives. It can be a major part of the firm's business strategy, and can provide the firms with a guiding strategy for a wide variety of decisions.

Last developments in information technology, data warehousing and data mining have made it possible for firms to sustain a one-to-one relationship with their customers. Firms can often manage every single contact with the customer through account management personnel, call centers, interactive voice response systems, on line dial up applications, and web sites to build lasting relationships. These interactions can potentially be used to gather information and insights about customer needs and their buying behavior to design and develop services that helped create value for customers as well as for the firm. Although customized as well as off the shelf technological solutions are available in the marketplace, business need to do a lot more than just accept these solutions to apply customer relationship management (CRM) practices.[13]

3. CREATING CUSTOMER AND BRAND LOYALTY WITH CONNECTED MARKETING APPROACH

The customer loyalty to the brand is frequently the core of a brand's equity. If customers do not care to the brand and, in fact, buy with respect to features, price and convenience with little interest to the brand name, there is likely little equity. If, on the other hand, they proceed to purchase the brand even superior features of competitors, price, and convenience, substantial value exists in the brand and perhaps in its slogans and symbol.

The evaluation of the attachment that a customer has to a brand is called brand loyalty. It reflects how likely a customer will be to switch to another brand, especially when that brand makes a change, either in price or in product features. The vulnerability of the customer base to competitive action is reduced as brand loyalty increases. It is one indicator of brand equity which is linked to future profits, since brand loyalty directed translates into future sales.[14]

Customer loyalty means that customers are dedicated to shopping at the retailer's locations. Loyalty is more than simply liking one retailer over another. Loyalty means that customers are committed. For example, loyal customers will continue to shop at the Circuit City store even if Best Buy opens a store nearby and provides a slightly superior assortment or slightly lower prices. Some ways that retailers built loyalty are;

- Positioning
- Customer service
- Database retailing
- Unique merchandise.[15]

Retailers are being faced with many authentic changes today. Increased competition is creating greater pressure on retailers to simultaneously control cost and improve customer service. Further, retailers are faced with a growing number of complex technological options to help support their inventory and customer service goals.[16]

*The Relationship Marketing Approach And Strategies In Retailing
Management To Constitute Customer And Brand Loyalty*

Many academics and managers believe that one of the key aims of marketing is to build and maintain strong customer relationships.[17]

The goal of any marketing program is inducing a consumer to choose one specific option from the many available. Success comes with exact forecast of the choice strategy the consumer will use in the decision environment. Generally, the way the consumer's strategy will change in response to shift in the parameters of his choice problem could also be predicted. When the likely choice strategy is predicted, marketing activity can accept that as a given and adjust to accommodate it, try directly convincing the consumer to use another strategy more favorable to selection of the product, or try to help the consumer redesign his decision problem. [18]

Fast changing competitive features are forcing business marketing firms to find more creative and flexible means for driving competition. Building collaborative relationships with customers and suppliers was a way of many firms to reply to these challenges. Such collaborative relationships rely on relational forms of exchange characterized by high levels of trust. The high levels of trust characteristic of relational exchange enable parties to concentrate on the long term advantages of the relationship, ultimately enlarging competitiveness and decreasing transaction costs.[19]

Although a relationship type of approach is long term in nature, transaction marketing is more oriented toward short-term goals. It can be said that the aim of transaction marketing is to get customers, whereas the aim of relationship marketing is to get and maintain customers. To maintain customers becomes more important because it is normally cheaper to make a satisfied existing customer buy more compared to what it costs to get a new customer. The economic consequences of decreasing the customer defection rate are important.[20]

The effectiveness of sales promotion used by organizations depends on different factors. One of them is the satisfaction of customers' needs. According to the customer's loyalty stage, the advantages influencing his/

her buying decision differ. Finally, distinct techniques of sales promotion have to be applied for the customers being on different loyalty stages. For this reason they emphasized benefits motivating customers being on particular loyalty.[21]

4. CUSTOMER RELATIONSHIP MANAGEMENT IN RETAILING MANAGEMENT

New tendency in retailing like raised competition and risk of takeovers, have generated press on retailers to correct both inventory turnover and consumer service.[16]

A sustainable competitive superiority is a superiority over competition that can be sustained over a lot of time. Creating a competitive superiority means that a retailer constructs a wall around its site in a retail market. This wall makes it hard for opponents outside the wall get in touch with customers in the retailer's market. If the retailer has built a wall around a good market, opponents will try to shatter the wall. Over time, all superiority will be corroded owing to these rival forces; but by building high, big walls, retailers can maintain their superiority, minimize rival pressure, and increase output for a longer time. Therefore, creating a maintainable rival superiority is the most important factor to long period economic performance.[15]

Customer loyalty is being seen as important to the success of any retail organization, because it is known that drawing new customers is more expensive than keeping existing one.[22]

Customer service is crucial point for retailers. While consumer satisfaction denotes meeting consumer anticipation at a retail level, consumer service intrudes to upstream channel connections. Customer service may be identified as 'a procedure for providing important outputs to provide chain in cost effective manner.' Customer service involves such items as order completeness, performance consistency, response to faults, exceptional requests and services, and data requests.[16]

*The Relationship Marketing Approach And Strategies In Retailing
Management To Constitute Customer And Brand Loyalty*

Customer Relationship Management(CRM) means different things to different people. For some, CRM is the term used to identify a set of IT applications that automate customer-facing process in marketing, selling and service. For others, it is about an organizational wish to be more customer focused.[23]

Customer relationship management is the general company strategy which focuses to the creation and retention of the long lasting and strong relations with customers. In other words, loyalty programs are creating for the effective development of these relations.[24]

Customer lifetime value and customer profitability are fast becoming adopted as new bases to customer segmentation. Firms are building on traditional bases of segmentation such as geografic, demografic, socioeconomic, attitudinal, and behavioral to incorporate customer past and projected purchase data into customer segmentation models, customer portfolio models and resource allocation decision making. These models ensure sales and account managers another lens through which to understand and prioritize their customers, and to measure the efficiency and effectiveness of their marketing and sales programs and resource allocations.[25]

5. CONCLUSION

In nowadays developing and globalized world, the importance of product based aproach has vanished and instead, customer based aproach became more important, creating a new era with customer satisfaction.

Shrinking of market shares, economic crisis of such big scales, more supply with less demand, abridged product life line because of fast changes and advances in tecnology, enforced companies to produce new marketing strategies that enable them to be one step infront of their rivals. In this context the concept of connected marketing became important in the past few years. Companies started to develop different strategies to gain loyal

customers by customer focused marketing strategies which give importance to customer satisfaction and brand.

In the future, we can make a study about a specific brand including its applications on loyal customer acquisition and perception of this applications by customers towards success.

REFERENCES

- [1] Odabaşı Y. (2000) 'Satışta ve Pazarlamada Müşteri İlişkileri Yönetimi', Sistem Yayınları, İstanbul, p.19.
- [2] Helm S. (2004) 'Customer Valuation as a Driver of Relationship Dissolution', Journal of Relationship Marketing Vol.3 (4) p.77-91.
- [3] Palmer A. (2002) 'The Evolution of an Idea: An Environment Explanation of Relationship Marketing', Journal of Relationship Marketing Vol.1 (1) p.79-94.
- [4] Wel C.A.B. and Bojei J. (2009) 'Determining Relationship Marketing Instruments', JUP Journal of Marketing Management Aug 2009 Vol. 8 Issue 3/4 p.25-41.
- [5] Berry L. L. (2002) 'Relationship Marketing of Services-Perspectives from 1983 and 2000', Journal of Relationship Marketing Vol.1 (1) p.59-77.
- [6] Sharma A. (2007) 'The Metrics of Relationships: Measuring Satisfaction, Loyalty and Profitability of Relational Customers', Journal of Relationship Marketing Vol.6 (2) p. 33-50.
- [7] Sherrell D. L. Bejou D. (2007) ' Assessing the Productivity of Relationship Marketing: Moving Toward a Paradigm', Journal of Relationship Marketing Vol.6 (2) p. 3-7.
- [8] Evanschitzky H. Wangenheim F. V. (2006) 'Customer Value Based Entry Decision in International Markets: The Concept of International Added Customer Equity' Journal of Relationship Marketing Vol.5 (1) p. 79-91.
- [9] Kanagal N. (2009) 'Role of Relationship Marketing in Competitive Strategy', Journal of Management and Marketing Research Jul 2009 Vol.2 p.97-112.
- [10] Wulf K. D. Schröder G. O. Canniere M. H. and Oppen C. V. (2003) 'What Drives Consumer Participation to Loyalty Programs? A Conjoint Analytical Approach', Journal of Relationship Marketing Vol.2 (1/2) p.69-83.
- [11] Palmer A. Bejou D. (2005) 'The Future of Relationship Marketing', Journal of Relationship Marketing Vol.4 No. 3/4 p. 1-10.
- [12] Wetsch L. R. (2005) 'Trust, Satisfaction and Loyalty in Customer Relationship Management: An Application of Justice Theory', Journal of Relationship Marketing Vol.4 No. 3/4 p. 29-41.
- [13] Pisharodi R. M. Angur M.G. and Shainesh G. (2003) 'Relationship Strategy, Effectiveness, and Responsiveness in Service Marketing', Journal of Relationship Marketing Vol.2 (1/2) p.3-22.
- [14] Aaker, David A.. Managing Brand Equity, 1 st Edition. New York:The Free Press 1991, p. 39.

*The Relationship Marketing Approach And Strategies In Retailing
Management To Constitute Customer And Brand Loyalty*

- [15] Levy, Michael ve Weitz, Barton A.. Retailing Management. 4. Edition. New York: McGraw-Hill,2001, p.175.
- [16] Ellram, Lisa M., La Londe Bernard J., Weber; Retail Logistics, International Journal of Physical Distribution & Logistics Management, Vol. 29 No.7/8, 1999 pp.477-494
- [17]. Palmatier, Robert W, Jarvis, Cheryl Burke, Bechkoff, Jennifer R., &. Kardes, Frank R, The Role Of Customer Gratitude in Relationship Marketing, Journal Of Marketing Vol. 73.(September 2009) p.1-18.
- [18] Wright, Peter, Consumer Choice Strategies: Simplifying Vs. Optimizing, Journal of Marketing Research Vol. XII (February 1975) 60-67.
- [19] Doney, Patricia M. and P. Cannon, Joseph, An examination of the nature of Trust of Trust in Buyer- Seller Relationships,Journal of marketing Vol.61 (April 1997), p.35-51.
- [20] Grönroos, Christian, Relationship Marketing: The Strategy Continuum, Journal of the Academy of Marketing Science, Vol. 23, (Fall 1995), No.4 p.252-254.
- [21] PILELIENE, Lina, Determination of The Best Suitable Structure Of Promotional Benefits For Different Loyalty Stages' Customers, ISSN 1822-6760. Management theory and studies for rural business and infrastructure development. 2009. Nr. 17(2). Research paper.
- [22] Sullivan, Malcolm and Adcock, Dennis. Retail Marketing. 1. Edition. Padstow: Thomson, 2002, p.255.
- [23] Iriana R. Buttle F. (2006) 'Strategic, Operational, and Analytical Customer Relationship Management: Attributes and Measures', Journal of Relationship Marketing Vol.5 (4) p. 23-42.
- [24] Gudonaviciene R. and Rutelione A. (2009) 'Decisions of Customer Loyalty Programs Formation', Economics & Management 14 p.397-406.
- [25] Lemon K. N. Mark T. (2006) 'Customer Lifetime Value as the Basis of Customer Segmentation: Issues and Challenges', Journal of Relationship Marketing Vol.5 No. 2/3 p. 55-69.