CARD International Journal of Management Studies, Business & Entrepreneurship Research
ISSN: (Print): 2545-5907 (Online): 2545-5885
Volume 1, Number 1, September 2016
http://www.casirmediapublishing.com

Relationship Marketing: A Potent Tool for Achieving Competitive Advantage in the Face of Economic Downturn

[1]Bello, Babatunde S., [2]Nwokenkwo, O. B. [3]Abdullahi, F. H. & [4]Mohammed, Amina D

[1, 2&4]Department of Marketing, Federal Polytechnic, Bida
[3]Department of Business Administration & Management, Federal Polytechnic, Bida
Email: connekt2tunde@gmail.com

ABSTRACT
Ask any frequent flyer that enjoys flying with and always chooses his favorite airline as to why he insists on using the same airline every time he is to travel. The answer will be that he is happy with the Customer Service provided by the airline. The airline spares no efforts to ensure that he is comfortable and enjoys his journey. The airline recognizes him as a valuable customer and has built a relationship with him over a period of time. It is this relationship, the comfort of being recognized, looked after and cared for individually that has resulted in loyalty in the relationship. This descriptive research aims to employ qualitative data to examine how managers/entrepreneurs can exploit relationship marketing as a weapon to achieve competitive advantage over their trade rivals in the face of economic downturn. Resources for this paper were purely sourced from existing literature (secondary data) that allowed the writers to extensively deal with the subject and discovered that firms are now turning to relationship marketing as a means of differentiating their offerings (as evidenced in the Telecommunications industry today). The writers concluded however, that managers should continue to establish good relationship with their customers in order to gain competitive advantage that will earn them the trust, empathy and commitment of customers and prospects.
Keywords: Relationship, Marketing, Potent, Competitive advantage, Economic meltdown, Empathy, Prospects

INTRODUCTION
Every human interaction and transaction is built around relationships. A network of relationships is the fundamental design of the human society. No wonder that this fundamental fact has been recognized and explored by all the businesses where in they have been building business

Corresponding Author: [1]Bello, Babatunde S

strategies around the customer and strive to build a relationship with every Customer. Relationship marketing therefore has evolved not only as a marketing strategy but has been the foundation on which companies build their core values and ethics. Relationship Marketing defines the framework for the Company to reach out as well as and orient themselves to the outside markets, to the end customer as well as to the business partners, the suppliers and vendors too. The concept is not limited to Customers and Suppliers alone but has been extended in scope to cover the internal employees as well as an effective way of reaching out to attracting best talent too. Modern consumer marketing originated in the 1960s and 1970s as companies found it more profitable to sell relatively low-value products to masses of customers. Over the decades, attempts have been made to broaden the scope of marketing with relationship marketing being one of the several attempts has arguably contributed to the immense enrichment of customer value. According to Gledhill (2008), relationship marketing is a form of marketing that focuses more on customer retention and their permanent satisfaction, rather than individual transactions.

In the high tech age where the marketing concepts and tools have undergone major changes with the introduction of e-commerce, online selling, network marketing, direct marketing, B2B and B2C business models, relationship marketing has become the base on which the Business strategies as well as Marketing strategies are built. Business Organizations today have begun to recognize and consider the human quotient as well as the emotional quotient of business relationships. Relationship Marketing has evolved as a discipline that helps the Businesses to look beyond transactions to long term business associations. Successful Relationship Marketing strategy helps the Organization deepen and strengthen its revenue streams on long term basis. Relationship marketing is considered to be a core Corporate Philosophy on which the Business strategy is built upon. It is reflected in all of the Marketing disciplines including branding, advertisements, promotions, public relations as well as through all sales channels and networks through which the Company reaches out to the Markets and Customers.

Traditional views of marketing are now being challenged and are slowly giving way to a new age of marketing, emphasizing the process of developing and maintaining an effective level of organizational-customer relationship. The process aspect of marketing is gaining prominence having both transactional and relational qualities which strives to establish, maintain, and enhance the relationship with customers in order to mutually satisfy the real objectives of both parties. The customer is important, these new views say, we want to retain our customers, not overlook them and have them defect. Relationship marketing (RM) is the key to success under this new era of marketing.

Relationship marketing is the development of mutually beneficial long-term relationships between a seller and a buyer. From the firm's point of view, RM is the art of creating special personal ties with its customers. Customers on the other hand, view RM as an opportunity to share information about their needs and to have those needs fulfilled. The significance of relationship marketing is highlighted by the following statistics outlining the reasons why customers switch to competitors (Metupp.com 2009).

- Company contact and individual attention lacking or poor in quality 69 %
- Found a better product 15 %
- Found it cheaper 15 %

A variety of terms have been used to refer to relationship marketing. Some of these terms include: one-to-one marketing, database marketing, micro marketing, relevance marketing, and interactive marketing. The formal acknowledgement of RM, in the authors' opinions represents a paradigm shift from the older, more traditional way of doing business.

As adequately put by Buttle (2007), in the 1950s, mass-marketing was key as market segmentation was in the 1970s. The 1990s however have ushered in an era of personalized marketing which includes highly focused strategies, increased market fragmentation, high levels of product quality, and more demanding customers. The purpose of this paper therefore, is to discuss some of the major issues that may affect the successful implementation of a relationship marketing strategy. First, the paper will provide a more detailed definition of Relationship Marketing. Then some of the major benefits of and keys to success in implementing an effective RM strategy will be discussed. Finally, examples of current applications of RM in some organizations will be discussed.

Relationship Marketing

The definition of marketing has changed emphasis from purely transaction driven to being process driven. The process approach combines both transactional (related to fast-moving consumer goods) and relational (related to services) qualities, which strives to establish, maintain, and enhance mutually beneficial relationships with customers so as to satisfy the objectives of all parties. This new definition of marketing realizes the value of the lifetime customer and the importance of preventing customer defections. Customers are demanding more; therefore marketers must work to meet those demands. Marketers just like the adult butterfly must court their customers, build a relationship with them, and exchange vital information. Maintaining customers as the new definition mentions requires the establishment of relationships that are characterized by trust, respect, and commitment. Marketers must be willing to discover and satisfy the needs of each customer as individuals. As appropriately put by John Naismith. A product for everyone is a product for no one in America today (Vavra2006).

Customer relationship building, which is a requirement of marketing's new era, is best fulfilled by one-to-one, or relationship marketing (RM).

Called one of the hottest business trends going, Relationship Marketing is raising the curtain on a new era of consumer privilege an age of servile sales and service representatives who remember and anticipate a customer's every need‖ (Lardner). Relationship marketing places the customer at the center of all planning activity. The customer lets the firm know what is important and the firm responds accordingly (Patoka 2001). RM includes efforts to keep customers satisfied after purchase, taking steps to increase the likelihood of cross-purchasing, measuring the extent to which customers are satisfied, and translating the sales process into an effective program complete with two-way dialogue (Vavra2006, Patoka 2001).

The goal of relationship marketing is to build long-term, trusting, win-win relationships which serves to maximize customer satisfaction and retention (Vavra,2006).Relationship marketing strategy is one of the most effective and responsive for attaining competitive advantage and unique company differentiation in an increasingly competitive and changing environment. It provides a much greater emphasis on informing and educating versus advertising, and keeping the customers you have as opposed to primarily focusing on capturing new customers (Zinkewicz, 2009). Firms must provide excellent services, understand customer's expectations, adapt to challenges, provide additional services, offer value for dollars, advertise systematically, and invest in improvements in order to survive.

Benefits of Relationship Marketing

From the Firm's Point of view, relationship marketing can provide the following benefits:

1. Profitability: The longer the association between the company and its customer, the more profitable the relationship. From marketing experience, it has been established that retaining existing customers is more profitable than acquiring new ones. Relationship marketing provides a firm with an opportunity to participate in cross selling which

increases overall sales volume and potential profit. Goodwill, which results in word of mouth‖ promotion, helps to lower customer acquisition cost, and therefore impacts favorably on profit. According to Blake (2008), a 5% improvement in a company's customer attrition rate can push a company's profits up to 75% higher. This increased profit is a result of reduced acquisition costs, increased cross-selling, a high customer referral rate, decreased price sensitivity, and lower operating costs.

2. Brand loyalty: Brand loyalty is a benefit produced by an effective relationship marketing strategy. Relationship marketing encourages the customer to build a long- term relationship with a firm and its product. When this relationship results in consistent preferential treatment for a firm's product, the result is a brand loyal customer.

3. Product Differentiation and Competitive Advantage: Closely related to Brand loyalty is the concept of product differentiation and competitive advantage. In this age of global competition, product differentiation, which leads to competitive advantage, is a must. Relationship marketing can provide an effective means of achieving both an effective product differentiation and competitive advantage. By placing a much greater emphasis on listening, marketers can more effectively determine what the customer wants and tailor the product to appropriately fit the customer's needs. This ability to better serve a customer can help a marketer to better differentiate his products and thus gain competitive advantage over those marketers that are not as responsive. Another source of both product differentiation and competitive advantage is in the area of marketing communications. When a marketer's communications strategy emphasizes providing the customer with information that will enable the customer educate himself instead of the traditional advertising and sales promotion, the customer is more likely to remain loyal to the marketer. This is completely opposite to always looking for ways to capture new customers, which of course, is very expensive.

From the customer's Point of view, relationship marketing can provide the following benefits:

1. Relationship Marketing allows personalized marketing, which deals with direct one-to-one interactions between a marketer and its customers. One of the great benefits of interactive marketing is that buyers are in better positions to tell sellers what they want, and sellers can match their offerings to the needs of buyers. Nike uses itsProduct Recommendation system to help meet customer's needs. The prospective customer answers about a dozen questions about himself and how he'll use the shoes and the Product Recommendation System reveals which shoes are right for the customer. Armed with this information, the customer goes into his local shoe store to ask for shoes that are exactly right for him.

2. Relationship marketing allows a firm to anticipate customers' wants: marketers see a lot of customers with similar needs, tastes, and interests. They can use this experience, which is not available to individual customers, to anticipate what may appeal to an individual. This is particularly important because, a customer may have a general idea of what he or she wants, but the actual product design that matches his needs may not be immediately known to him.

3. Relationship marketing allows customers to receive relevant Information: An effective Relationship Marketing program provides customers with sufficient information to empower them to make correct purchase decisions. A very good example can be seen on the various on-line airline booking services. When a customer signs on with these on-line services and tries to book a flight, most of them provide the customers with a variety of choices that are in most cases sufficient to allow the traveler to make an appropriate travel plan. The most important thing about this system is that it allows the traveler instant comparative information which enables him to minimize transaction time, and in many cases maximize savings.

Characteristics of a Successful Relationship Marketing Programme

There are several paths marketers may take to successfully implement a relationship marketing programme. However, there are several attributes that must be present in order for a Relationship Marketing program to be successful. These include trust, commitment, empathy, and responsiveness to customer's needs.

Trust is one of the key elements for a successful relationship marketing programmes. Trust deals with the ability of the firm to implement a privacy policy that informs customers about what the firm plans to do with the personal data it is requesting from them (Kania and Allen,2012). In this era of identity theft, customers are very apprehensive of the ability of companies to protect their data. Thus a marker must devise a way of assuring the customer that her data is secure and that any information that the customer provides will actually be kept confidential. Trust represents customer confidence in a firm's reliability and integrity (Buttle,2007). Confidence, in turn, is associated with consistency, honesty, fairness, helpfulness, benevolence, and responsibilityall qualities any (successful) firm should exude. In addition to trust and confidence, commitment, concern, and respect are key elements as well. Commitment and trust encourage marketers to work at preserving relationships so customers will resist attractive short term alternatives and view potentially high risk actions as prudent. Additionally, customers must understand that this behavior will also promote efficiency, productivity, and effectiveness (Buttle,2007).

Commitment deals with a firm's desire to maintain a long-term relationship with its customer base. Without trust, commitment flounders (Buttle, 2007). Concern on the other hand, deals with marketer's appreciation and understanding of the need to continually strive for the welfare of their customers. The objective should always be to meet, if not exceed, customers' expectations. Respect includes affording customers the choice on how much personal information they wish to disclose and at the same time giving them something of value (Kania and Allen, 2012).Empathy from a Relationship Marketing point of view deals with an understanding of customers' expectations and is essential to success. If you do not understand your customers, you cannot serve them successfully. Customers must be understood, nurtured, and listened to.

Tools Available for Implementing Relationship Marketing

The use of one-to-one media is essential to remaining competitive in today's globally competitive environment. According to Pepper, Rogers &Dorf (2013)),there are three criteria for one-to-one media: —individually addressable, two-way, and inexpensive (Kania and Allen, 2012). Based on Pepper and Rogers criteria, the World Wide Web (the internet) is the perfect one-to-one medium. The web allows marketers to capture customer knowledge in finite details by creating a relationship with each individual that visits a firm's Web site. Instead of simply talking at their customers, firms now have a way to conduct a two-way dialogue with its customers and can do so on an individual basis. Unfortunately, many firms with presence on the web have been using it as they used billboards or the television. Web presence is an important ingredient of success in relationship marketing, but if it is not coupled with a two-way dialogue, it will prove ineffective.

According to Kania and Allen (2012), Personalization allows marketers to gather information about each customer like never before possible with traditional marketing vehicles. Personalization helps to increase the likelihood that customers will return again and again to a firm's web site.With the web, firms give customers the power, choice, and means to help the firm build a knowledge base. Relationship marketers no longer have to make guesses and assumptions (Kania, 2012). Personalization is a major player on the internet. It allows marketers to discover what is or is not working on the web site. It also allows marketers to gather valuable information for customer information files and to fulfill customer expectations. A website that serves each customer individually will be key to cementing a firm's relationship with a loyal customer base. (Kania, 2012).

Competitive Advantage

Porter (1985) defined the two types of competitive advantage an organization can achieve relative to its rivals: lower cost or differentiation. This advantage derives from attribute(s) that allow an organization to outperform its competition, such as superior market position, skills, or resources. In Porter's view, strategic management should be concerned with building and sustaining competitive advantage. Competitive advantage seeks to address some of the criticisms of comparative advantage. Porter proposed the theory in 1985 where he emphasizes productivity growth as the focus of national strategies. Competitive advantage rests on the notion that cheap labor is ubiquitous and natural resources are not necessary for a good economy. The other theory, comparative advantage, can lead countries to specialize in exporting primary goods and raw materials that trap countries in low-wage economies due to terms of trade. Competitive advantage attempts to correct for this issue by stressing maximizing scale economies in goods and services that garner premium prices (Stutz and Warf, 2009).

The term competitive advantage refers to the ability gained through attributes and resources to perform at a higher level than others in the same industry or market (Christensen and Fahey 1984, Kay 1994, Porter 1980 cited by Chacarbaghi and Lynch, 1999). The study of such advantage has attracted profound research interest due to contemporary issues regarding superior performance levels of firms in the present competitive market conditions. "A firm is said to have a competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential player" (Barney 1991 cited by Clulow; *Gerstman* and *Barry*, 2003). Successfully implemented strategies will lift a firm to superior performance by facilitating the firm with competitive advantage to outperform current or potential players (Passemard and Calantone 2000). To gain competitive advantage, a business strategy of a firm manipulates the various resources over which it has direct control and these resources have the ability to generate competitive advantage (Reed and Fillippi 1990 cited by Rijamampianina, 2003).

Superior performance outcomes and superiority in production resources reflects competitive advantage (Day and Wesley 1988 cited by Lau, 2002). Above writings signify competitive advantage as the ability to stay ahead of present or potential competition. Also, it provides the understanding that resources held by a firm and the business strategy will have a profound impact on generating competitive advantage. Powell (2001) views business strategy as the tool that manipulates the resources and create competitive advantage, hence, viable business strategy may not be adequate unless it possess control over unique resources that has the ability to create such a unique advantage.

Generic Competitive Strategies

Cost leadership strategy:The goal of cost leadership strategy is to offer products or services at the lowest cost in the industry. The challenge of this strategy is to earn a suitable profit for the company, rather than operating at loss and draining profitability from all market players. Products are to be created at the lowest cost in the industry. An example is to use space in stores for sales and not for storing excess product.

Differentiation Strategy: The goal of differentiation strategy is to provide a variety of products, services, or features to consumers that competitors are not yet offering or are unable to offer. This strategy gives a direct advantage to the company which is able to provide a unique product or service that none of its competitors are able to offer. An example is Dell which launched mass-customizations on computers to fit consumers' needs. This allows the company to make its first product to be the star of its sales.

Innovation Strategy: Porter describes innovation strategy as determining how, and to what degree, firms use innovation to deliver a unique mix of value and achieve competitive advantage. The goal of innovation strategy is to leapfrog other market players by the introduction of completely new or notably better products or services. This strategy is typical for technology start-up companies which often intend to "disrupt" the existing marketplace, obsoleting the current market entries with a breakthrough product offering. It is harder for more established companies to pursue this strategy because their product offering has achieved market acceptance. Apple has been a notable example of using this strategy with its introduction of iPod personal music players, and iPad tablets. Many companies invest heavily in their research and development programs to achieve such statuses with their innovations.

Operational Effectiveness Strategy: The goal of operational effectiveness as a strategy is to perform internal business activities better than competitors, making the company easier or more pleasurable to do business with than other market choices. It improves the characteristics of the company while lowering the time it takes to get the products on the market with a great start.

CONCLUSION

In today's consumer-centric environment, the rule is that if it takes a customer more than five seconds to get what they want, the company has lost that potential buyer. Failure to deliver personalized, consistent, reliable accessibility to customized service is a distinct competitive disadvantage. Alternatively, taking advantage of this opportunity entails delivering a rapid but personalized response to the customer wherever and whenever he or she chooses to interact with the seller.

Relationship marketing, which is customer-focused, enables companies to consistently sell the right product to the right person at the right time at the right price. The paper concludes however, that managers should continue to establish good relationship with their customers in order to gain competitive advantage that will earn them the trust, empathy and commitment of customers and prospects.

REFERENCES

Blake, P. (2008) Building Relationships with your Web Customers: A new Concept in e-commerce is IRM. *Information Today,* Vol.15, issue 9, October.

Buttle, F. (2007).*Relationship Marketing: Theory and Practice.* London: Paul Chapman Publishing Ltd.

Chacarbaghi, L. (1999). Competitive Advantage: Creating and Sustaining Superior Performance by Michael E. Porter 1980, p. 45

Clulow, V.; Gerstman, J. & Barry, C. (1 January 2003). "The resource-based view and sustainable competitive advantage: the case of a financial services firm". Journal of European Industrial Training 27 (5): 220–232. doi:10.1108/03090590310469605.

Kania, D. (2012).The Start of a Beautiful Relationship.*Precision Marketing by Engage.* September 30.

Kania, D.& Allen, C. (2012).One to One Web Marketing.*Marketing Competence,* September 1999

Lau, R. S. (2002). "Competitive factors and their relative importance in the US electronics and computer industries". International Journal of Operations & Production Management 22(1): 125–135. doi:10.1108/01443570210412105.

Passemard, C. (2000). Competitive Advantage: Creating and Sustaining Superior Performance by Michael E. Porter 1980, p. 18

Patoka, M. (2001) What's The Big Idea in Relationship Marketing? www.relationshipmarketing.com/CRM_Info_Center/Articles/A4/a4.html.

Pepper, D. & Rogers, M. (2013). Smart Marketing: Implementing an affordable one-to-one marketing program. *Sales & Marketing Management,* Vol. 151, no. 5.

Porter, M. E. (1985). Competitive Advantage. Free Press. ISBN 0-684-84146-0.

Powell, T. C. (2001). "Competitive advantage: logical and philosophical considerations". Strategic Management Journal22 (9): 875–888. doi:10.1002/smj.173.

Rijamampianina, Rasoava; Abratt, Russell; February, Yumiko (2003). "A framework for concentric diversification through sustainable competitive advantage". Management Decision 41 (4): 362. doi:10.1108/00251740310468031.

Vavra, T. G. (2006) *Aftermarketing: How to Keep Customers for Life Through Relationship Marketing.* McGraw Hill Companies.

Saemundsson, R. J. and Candi, M. (2014), Antecedents of Innovation Strategies in New Technology-based Firms: Interactions between the Environment and Founder Team Composition. Journal of Product Innovation Management, 31: 939–955. doi: 10.1111/jpim.12133Gledhill, M., 2008.Stakeholder marketing. 1st ed. Oxford: Elsevier LTD.Retrieved from http://www.businessdictionary.com/definition/competitive-advantage.html#ixzz3n1paJDJx

Warf, F. P.; Stutz, B. (2007). The World Economy: Resources, Location, Trade and Development (5th ed.). Upper Saddle River: Pearson. ISBN 0132436892.

WWW.Lacek.com/relationships/loyalty_f.html. (1999) How Can Loyalty Marketing Help My Company. www.relationshipmarketing.com/CRM_Info_Center/Articles (1999) Surveys Foster a Learning Relationship.

Zinkewicz, P. (2009). Studying the Tactics of a Master Hunter to Compete in the Insurance Jungle: Independent Agents Can Benefit from Direct Writer's Views on Relationship marketing. www.roughnotes.com/rnmag/sept/septart4.htm.