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The Reincarnation of Relationship Marketing

No other idea has transformed the marketing practice as has relationship marketing. First and foremost, it shifted marketing's focus from the product or service offering to the customer. Second, it changed the marketing objective from customer acquisition to customer retention. Third, it shifted marketing practice from segmentation, targeting and positioning to one-to-one marketing with individual customers.

Like many new ideas, relationship marketing came into existence out of necessity in the '80s. The energy crisis of 1974-1978 resulted in an economic recession, or stagflation. Protecting market share became more important than organically growing the market. At the same time, the U.S. economy began to shift from manufacturing to services industries, as more women entered the workforce and, in the process, began to outsource household activities, such as cooking, cleaning and childcare.

Marketing activities became more and more automated. For example, airlines began to invest in computerized reservation systems, and banks began to automate transactions through ATMs and bank cards. This generated an enormous amount of usage data at the individual customer level.

Relationship marketing brought about numerous innovative marketing practices never imagined before, including loyalty programs. A pioneering idea in the airline industry with frequent flyer programs became virtually universal across all service industries including retail.

It also led to measuring customer satisfaction, such as J.D. Power and Associates' CSI ratings of products and companies in nearly every industry. Moreover, companies began to understand and measure customer lifetime value and realized that each customer generated a significant amount of revenue over time.

Relationship marketing resulted in "share of wallet" becoming the marketing objective instead of the traditional market share. Consequently, offering "bundled" services, cross-selling and up-selling became the new marketing practice in telephone, cable and financial services.

It also led to establishing key account management in business-to-business marketing and offering customized solutions to each account. Marketing practice founded on mass marketing gave way to one-to-one marketing.

Unfortunately, with the growth of customer relationship management, relationship marketing has now become more of a data analytics and customer insights research methodology, especially with online marketing and mobility marketing. With the growth of social media and mobile applications, the power of marketing has shifted from the producer to the consumer, especially with respect to the impact of customers' viral feedback.

So where will relationship marketing evolve over time? I think it will get reincarnated in two significant ways. First, it will shift its focus from capturing share of wallet to capturing "share of heart" as loyalty programs, bundled offerings and personalized services become universal and undifferentiated. Share of heart, as the name implies, goes beyond offering economic or functional value to bond with customers on an emotional plane. The relationship transcends from business to friendship. It also transcends measuring the strength of the relationship beyond numerical and financial outcomes, both for the company and its customers. This will result in three new areas of marketing tactics and practices:

1. **Emotive feedback,** such as brain research, immersion into the customer's life and a non-intrusive customer safari. This will require collecting, analyzing and interpreting customers' conversations and unconscious streams of thought.

2. **More meaningful and purpose-driven products and brands.** This means going beyond ingredients and benefits. How can we market the product or brand that makes consumers feel that they are serving a higher purpose in life when they procure, consume and dispose of the products and services? Purpose-driven marketing will become a key foundation for the future sustainability of relationship marketing.

3. **Brand communities in social media.** Such communities are not new. What is new is the use of social media in the development of brand communities with interactivity and co-creating brand identity. User-generated marketing, such as co-creating the product or commercials, results in greater emotive bonds. At the same time, the unintended consequences of allowing or encouraging customers to play with and alter brands are so significant that the marketer must channel the emotive moods of the customer-company relationship. This is especially important because social media have vast and global reach, and super speed in spreading the message.

A second major shift in relationship marketing will be the development of virtual or contractual joint ventures with customers. In traditional marketing, it is usually the supplier who commits resources in the relationship. Customers are free to walk away from the relationship almost at will, unless they are bound by contracts, such as in cell phone services, or there are non-contractual switching costs associated with installed technology, machinery, processes and people. Asymmetry of commitment is like making a breakfast of eggs and bacon: The chicken has to just lay eggs, but the pig must commit itself. In a joint-venture mindset, the customer also must commit resources (time, money, capabilities). Also, both parties in the relationship must believe in mutual interdependence.

There are several ways to create a joint-venture mindset. The first one is co-creation of value for end users. Both parties engage in the relationship to create value for the end users. This is obvious in business marketing, but it is equally plausible in consumer marketing. It requires thinking of who is the customer's customer, as Whirlpool and Sears have successfully done for more than 50 years.

A second approach is cross-functional collaboration between the supplier and the customer. The best example is between Procter & Gamble and Wal-Mart, where the IT, finance, legal and HR teams of both companies work together in a collaborative way to solve supply chain problems or to innovate new products and practices. Like any joint venture, it requires long-term commitments by both the supplier and the customer.

A third tactic is to partner on corporate social responsibility and economic development. This ranges from sustainability to micro-financing, from nutrition, education and public health to the eradication of poverty. Large corporate and personal foundations, such as the Bill and Melinda Gates Foundation, the MacArthur Foundation and the Azim Premji Foundation in India, are learning to partner with governments and world agencies, especially in emerging markets like India, Africa and Latin America. Public-private partnering is becoming a key component of relationship marketing, especially for technology companies like IBM, Microsoft and Cisco.

If all of this sounds like business-to-business marketing, it is. In fact, relationship marketing is transforming a marketing practice that has been predominantly anchored to consumer packaged goods industries into a one-to-one, enduring relationship between a supplier and a customer. It means that the chief marketing officer has to become the chief customer officer, must think more holistically and must take a multiple-stakeholder perspective in marketing. m

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