



Customer Relationship Marketing, A Necessity for Business Success in the Year 2020 and Beyond: Theoretical and Practice Perspectives

Okereke Obinna¹ and Okpe Kelechi Thecla²

¹Department of Marketing, Faculty of Management Sciences, Nnamdi Azikiwe University
Awka, Anambra State, Nigeria

²Department of Marketing, Business and Management Technology, Federal Polytechnic
Nekede Owerri, Imo State

Abstract: *Business Organizations strive to produce goods and services which are meant to enhance customers satisfaction. Devising a strategy to sustain customers satisfaction is very crucial for survival and growth of a business. At the long-run it will lead to customer loyalty. This paper reports in details the concept of customer relationship marketing; approaches and tools required to build strong relationship and satisfaction. It also examines when and how to use customer relationship marketing. More so, from practical view point research findings are included on how some companies in emerging economies like Nigeria have adopted customer relationship marketing to retain their customers and other stakeholders.*

INTRODUCTION

Customers are the greatest assets of any business concern because the success of business is a function of customers' patronage. As a result of proliferation of companies, business environment is besieged with stiff competition. In order to have a competitive advantage, innovative firms should be able to carve out a niche and strategic manoeuvres to ensure survival and growth in the market place, aggressive marketing strategies such as price cutting, advertising, sales promotion and strategy distribution have been used by companies to stay in business and reduce the impact of competition. Although some firms now practice the marketing concept which stresses the consumer orientation, a new concept called Relationship marketing has recently emerged and many companies see it as a more viable and strategic weapon to capture the support customers and excel in business operations in the face of acute competition.

Customer Relationship marketing as a concept in marketing is relatively new in the developing countries like Nigeria. This paper seeks to find out how customer relationship marketing can contribute immensely to firms growth and profitability increase their market share and performances. We shall approach the topic by examining the historical development of the concept from the advanced countries. Then we shall also discuss the subject matter under the following subheadings:-

- Levels of Relationship in Customer Relationship Marketing (CRM)
- Approaches/Tools in building strong Relationship and Satisfaction
- Theoretical underpinning
- Why CRM is necessary
- When and how to use CRM
- CRM 2020 and beyond
- Conclusion, suggestions and recommendation

CONCEPT OF CUSTOMER RELATIONSHIP MARKETING

Customer Relationship marketing is given various names by different management schools of thought. While one group calls it national account management, another prefers to call it customer relationship management. No matter the name given to it, one thing is clear. It is based on the premise that important accounts or customers need focused continuous attention. Kotler and Armstrong (1994) assert that; "relationship marketing involves creating, maintaining and enhancing strong relationship with customers and other stakeholders".

Berkowitz *et al.*, (1994) posit that Relationship marketing is an organization's effort to develop a long-term, cost effective link with individual customers for mutual benefit.

Gronross and Revald (1996) maintain that; "the core of relationship marketing is relations, maintenance of relation between the company and the actors in its micro-environment, i.e suppliers, market intermediaries, the public and of course customers as the most important actors. The idea is first and foremost to create customer loyalty so that a stable mutually profitable and long-term relationship is enhanced"

All the proponents agree that the focus in customer relationship marketing is shifting from the activity of attracting customers to the activity which centre on having customers and taking care of them. CRM builds on and needs both information technology and micro-marketing. Relationship is positively correlated with customer services and satisfaction. Customer service refers to the manner in which marketers or organizations treat their customers and the related activities that enhance the value of customers purchases. The core component of customer services are customers relations, delivery services, repairs and warranties.

CUSTOMER SATISFACTION - ESSENTIAL INGREDIENT

Customer satisfaction plays an integral role in CRM. This satisfaction can be built through the offering of high quality products, values and services. A customer is satisfied if the product performance meets his expectation. However, if performance exceeds expectation the customer will be highly satisfied and delighted. Where the contrary is the case, the customer will not be satisfied.

Value is considered an important constituted of CRM. By adding more value to the core product, the product quality is improved; supporting services are include:: in the offering. This will make the just noticeable difference to be perceived by customers as being high in terms of product quality. In this way, customer Patronage will be high.

THEORETICAL UNDERPINNINGS

Theoretical framework of this study is based on three theories namely commitment thrust theory, stakeholders theory and Agency theory of relationship.

- 1) **The Commitment Thrust Theory** of relationship by Morgan and Hunt (1994). This theory states that two elements are crucial for relationship to be successfully, these are trust and commitment. Hence, trust (i.e willingness to rely on partners on whom one has confidence) helps business relationship to continue. Also commitment which involves long term desire to maintain valid partnership enhances relationship between organization and customers. Relationship marketing involves forming bonds with customers, meeting their needs and commitment.
- 2) **Stakeholders Theory:** Zirkhan (2002) opines that creation of successful marketing strategy may require that a wide range of stakeholders group (e.g government, suppliers and public) to be considered. Learning is a key aspect of sustaining relationships, organizations need to learn which action will have a positive effect on the partner. For instance, manufacturer may discover that sales and profits may be increased by advertising, sales promotion and offering of incentives to sales force e.g trip to U.S.A.
- 3) **Agency Theory Relationship:** this theory was propounded by Stephen Ross and Barry in (1974). It explains the relationship which exist between principals and agents when doing business. It also deals with different type of risk between principal and agents. Marketing managers and other products supervisors are agents on behalf of their clients and the stakeholders investments.

RESEARCH FINDINGS

Recent studies in Nigeria show that some companies are adopting customer relationship marketing. During the birthday or special events performed by their clients, they usually send greeting cards and gifts to their customers in order to show that they valued their patronage. Overall customers' satisfaction is a good predictor of intention to rebuy. More so, customers satisfaction is a function of performance and expectation. In the words of Groomross (1996) a satisfied customer is supposed to effect purchase and be loyal to the company. Howard, Kotler and others maintain that satisfaction is a function of value and that perceived value is the ratio of perceived benefits relative to the perceived sacrifice (costs).

Furthermore Kotler (1992) asserts that CRM is most appropriate with those customers and publics who can most effect the organization's future. He stated that a marketer who can build and manage strong relationship with key customers will have much future sales from those customers.

Boone and Kurtz (1992) posit that proper handling of customers' complaints is an important aspect of good customer relations. Companies should furnish their customers with complaint cards to help them expose their grievances. This will also enable them to know actually their present needs. In addition to this, dissatisfied customers should be rewarded. This may

influence the customer and make him loyal. Some companies in far away US are reported to have successfully done this.

The objective of CRM is mainly to deliver long-term value to customers and the measure of success is long-term customer satisfaction. Other objectives include cost efficiency and market efficiency. In order to gain customers patronage and maintain good relationship, salesmen working with key customers must do more than call when they think a customer might be ready to place an order. They should also monitor each key account, know their problems and be ready to serve them in a number of ways. In addition, they should visit frequently those accounts make useful suggestions on how to improve the customers business, take him to dinner and also take special interest in the customers as people.

Recognition of the importance of CRM in advanced countries has increased rapidly in the past few years. Companies now realize that they can earn a higher rate of return from resources invested in relating to their customers than from money spent to attract new ones. Companies are forming strategic partnerships, making skilled relationship marketing essential. CRM involves total quality management which requires that all the other departments in a company should work together with marketing as a team to serve the customer well.

LEVELS OF RELATIONSHIP IN CRM

Customer Relationship marketing involves building relationship at many levels - economic, social, technical and legal resulting in high customer loyalty. Kotler and Armstrong (1994) outlined five different levels of relationship that can be formed with customers who have purchased such a company's product as an automobile or a piece of equipment. These levels include;

- A. **BASIC:** The company sells the product but does not follow up in any way.
- B. **REACTIVE:** The salesperson sells the product and encourages the customer to call whenever he has any questions or problems.
- C. **ACCOUNTABLE:** The salesperson phones the customer a short time after the sale to check whether the product meets the customers' expectations. The salesperson also solicits from the customer any product improvement suggestions and any specific disappointments. This information helps the firm to improve its product continuously.
- D. **PROACTIVE:** The sales person or the company staff phones the customer regularly with suggestions about improved product use or helpful new products.
- E. **PARTNERSHIP:** The company works continuously with the key customers and others to discover ways to deliver better value.

These levels are illustrated in the diagram below.

Fig 1: Relationship levels as a function of profit margins and number of customers

		PROFIT MARGINS		
		High	Medium	Low
NUMBER OF CUSTOMERS	Many	Accountable	Reactive	Basic
	Medium	Proactive	Accountable	Basic
	Few	Partnership	Accountable	Reactive

Source: Philip Kotler and Gary Armstrong (P 56.1) Principles of Marketing.

The above diagram shows that a company's marketing strategy will depend on how many customers it has and this will determine the extent of its profitability. For example, a company with many low margin customers will practice Basic marketing. At the other extreme, in markets with few customers and high margins, most sellers will move to partnership marketing etc.

METHODS OF BUILDING STRONG CUSTOMER RELATIONSHIP AND SATISFACTION

There are so far three strategies of building strong abiding and satisfactory relationship. The first relies on adding financial benefits to the customer relationship. Examples of these abound in the Nigerian market place. Some companies give a discount/rebate of 5 -10% if a customer buys up to a certain quantity of goods. Hotels reserve better rooms for their regular or frequent guests.

The second approach is to add social benefit as well as financial benefits. Here the company's personnel work to increase its social bonds with customers by learning their individual needs and wants and then personalizing their products and services. In this way customers are turned into clients.

The final method is to add structural ties to the first two strategies. For example a marketer might supply customers with special equipment like computer linkages to help them manage their orders, payrolls or inventories. The Nigerian Bottling Company now has sign boards with the names of the key customers and products depicted on them. Almost all the Breweries in the

country - NBL, Consolidated, Guinness, GG etc do give special package to their major customers and distributors every year. Such gifts as Calendar, Diaries and Wall Clocks are usually distributed at the end of a grand dinner party organized by the firm for its principal customers in a big hotel. This annual event generates and perpetuates good customer relationship and loyalty.

The service organizations like the banking industry are not left out in this activity. The old banks - First Bank, Union Bank and UBA have customers suggestion Boxes and complaint Boxes placed in the middle of the service centres. They also hold annual dinners where they entertain their shareholders and share the dividends. The new generation banks like Diamond Bank have gone a step further by offering insurance cover for their customers.

There are, however, many firms in the developing countries which have not yet embraced Customer Relationship Marketing. Their practice may be termed transaction marketing which could be compared to the selling concept with little or no attention to the interest of the customers. The ultimate consequence of this kind of business activity is loss of customers and poor turn-over.

THE ORIGIN OF CUSTOMER RELATIONSHIP MARKETING

At this juncture it would be necessary to examine the remote and immediate cause of CRM. What actually led to its birth or appearance on the business management scene? Berkowitz *et al.*, (1994) state that two sources of marketing problems helped to trigger the rise of relationship marketing.

The first is **MORE DEMANDING CONSUMERS**. Studies have shown that consumers

- a) Want "personalized" offerings. They increasingly seek the combination of product and service that are tailored to their unique wants and needs.
- b) (b) Desire high quality and value products. The consumers are willing to pay a premium for quality with such characteristics as reliability, durability, ease of use, of maintenance, a trusted brand name and if possible of low price.
- c) Require "Caring" customer-service. Effective customer service means having the seller's representative and implementing the golden Rule VZ treating the customers as they want to be treated.
- d) Have reduced loyalty to sellers: For today's consumers, the issue is not that a product, brand or store served their need last year, but whether it will serve their needs today. Sellers have discovered that defecting customers exact a terrible price in lost revenues which re-emphasizes the importance of the continuing customers links of relationship marketing.

The second origin of CRM is **EXCESSIVE BUSINESS COST**. Some of the important sources of excessive business costs that have driven today's manufacturers and retailers to use relationship marketing include among others - new product failures, poor quality, high distribution cost and misdirected promotional effort.

Poor product quality can lead directly to new product failure, customer disloyalty and millions of naira in lost revenues and profit.

STEPS IN ESTABLISHING CRM

Kotler (1992) once more indentified five steps in establishing customer relationship marketing in any organization.

1. **"IDENTIFY THE KEY CUSTOMERS MERITING RELATIONSHIP MARKETING"**. A company can choose the largest or best customers and designate them for closer relationship. Other customers who show exceptional growth or who can pioneer new industrial development can be added.
2. **"ASSIGN A SKILLED RELATIONSHIP MANAGER TO EACH KEY CUSTOMER"**. The salesperson currently servicing the customer should receive training in relationship management or be replaced by some one more skilled in that area. The relationship manager should have characteristics that match or appeal to the customer
3. **DEVELOP A CLEAR JOB DESCRIPTION FOR RELATIONSHIP MANAGERS**. Describe their reporting relationships, objective, responsibilities and evaluation criteria. Make the relationship manager the focal point for dealing with the client. Give each relationship manager only one or a few customers to take care of.
4. **APPOINT AN OVERALL MANAGER TO SUPERVISE THE RELATIONSHIP MANAGERS**. This person will develop job description evaluation criteria and resource support to increase the effectiveness of their function.
5. **EACH RELATIONSHIP MANAGER MUST DEVELOP LONG-RANGE AND ANNUAL CUSTOMER RELATIONSHIP PLANS**. The annual relationship plan will state objectives, strategies, specific actions, and required resources.

SITUATIONS IN WHICH CRM CAN FUNCTION/OPERATE

Relationship marketing works extremely well in the right situations It can pay off handsomely with customers who have long-time horizons and high brand switchers - for example buyers of high involvement goods (shopping and specialty goods), office equipments and electronics.

In CRM, both the customers and suppliers invest a lot of time and money in building the relationship. The customer will find it very expensive and risky to switch to another supplier and the seller would find that loosing this customer would be catastrophic to his business. Thus each seeks to develop a cordial long-term relationship with the other. It is with such customer that relationship marketing has the greatest benefit because both the seller/supplier and customer regard themselves as indispensable partners. CRM can, infact, be effective with the right type of customers, viz those who make hefty commitments to a specific system and then expect high quality consistent services over the long term. To win and keep such accounts, the marketer will have to invest heavily in relationship marketing.

Information is a very strategic weapon in executing and achieving effective relationship marketing. There is need for information technology which involves designing and managing a communication system e.g computer to satisfy an organization's requirement for information access and processing. In other words, the cultivation and practice of data base marketing and

marketing information system is a requirement for success in CRM. For McCarthy E, J. (1978), Marketing Information System is; "a structured, interacting complex of persons, machines and procedures designed to generate an orderly flow of pertinent information collected from both intra-and extra-firm sources for use as the bases for decision-making in specific responsibility areas of marketing management"

In order to develop CRM, marketing managers need huge amounts of raw data - individual customer data bases or one central data pool of customers - about consumers and their households, their demographics, psychographics, business data, TV viewing habits, use of other promotional media e.g, (magazines and News Papers).

However, the problems associated with collecting data are cost and potential bias in the data collected. The use of multiple customer data bases containing duplicate records makes gross inefficiencies (STONE and Foss 2001). As the marketing staff use the central data base, they have accurate customer profiles at their finger tips. The marketing campaigns are better targeted and more effective, sales people make better sales pitches to prospective customers and service level will automatically improve.

Keynes (2001) outlined the effect of having a central customer data base include;

- Better proliferation of prospects/customers
- Better understanding of prospects/customers' need
- More effective Segmentation
- Better targeting of Prospects/customers
- Better chance of Prospects/Customers responding
- Better chance of securing sales.

IN SUMMARY: Improved Process Efficiency + Improved People efficiency + Improved Customer Loyalty = Improved Financial Performance.

IMPLEMENTATION OF CUSTOMER RELATIONSHIP MARKETING

One of the propounders of the concept, Berkowitz stated that three elements are needed to implement relationship marketing successfully. These include.

- A. Building and continuously updating a data base to store relevant information about current and potential customers.
- B. Using Innovative media to communicate with customers on a one-to-one basis.
- C. Monitoring long-term relationship with individual customers to assess their life-time value to the organization. This stresses the importance of continuously reassessing the relationship with each current and potential customer to ensure that the potential revenues from maintaining the relationship outweigh its costs. An organization that properly implements relationship marketing begins to focus on managing its customers as well as its products. Experience has amply demonstrated that some marketing practitioners are good at managing relationships and getting repeat business while others specialize or are better at managing projects and not relationship.

CRM, 2020 AND BEYOND

The best, easy and surer method of ascertaining the relative importance of the CRM in the business world, from 2020 and beyond, is to consider the Strength, Weakness, Opportunities and Threat[^] of the concept in its current usage.

In a market-directed economy like ours, people as consumers/ customers make the society's production decisions as they make their product choices in the market place. No business can exist or prosper without sales. Satisfaction of the customers needs and wants leads to making of sales and the overall result is survival, continuity and profitability for the company. A satisfied customer continuously comes for repeat purchase and this leads to customer loyalty. Customers' benevolence and continued patronage, therefore is the strongest weapon a company needs to forge ahead in the heat of spiraling inflation and cut-throat competition. Can 33 beer or House brand soap survive the next day without customer patronage? It, therefore, follows that any business in the foreseeable future that fails to take up the challenges and implement the thinkings and actions of Customer Relationship marketing is doomed to a dismal failure.

The new generation churches spend thousand of naira to the media noises houses, demonstrating the miraculous healings of the century, the incredible and supernatural feats performed by their spirit-anointed human pastors - all in a bid to propagate relationship marketing which yields good fruits to them.

Finally CRM is strongly linked to growth and progress and in the event of adversity or bad weather the company will be alerted by the customers. Hence organizations that uphold and seriously practice relationship marketing will be a profitable survivor come 2020 and beyond.

On the other hand no compliance to the new CRM concept will lead to stagnation and eventual exit from the industry. Consumers are becoming wiser, more sophisticated and co-ordinated on daily basis than before. They are now backed up by more stringent government regulations to protect them from the exploitations of the manufacturers and unscrupulous businessmen. Hence companies who fail to embrace this new philosophy and latest concept in marketing -ay rot last beyond the year 2020.

CRM offers a wonderful opportunity to industrialists, entrepreneurs and marketing practitioners who infuse the thinking in both the decision and actions of their organizations. To the consumers it helps them for self-actualization and increased standard of living. Hence it is an incontestable and irreplaceable asset in the year 2020 and beyond.

SUGGESTION/RECOMMENDATION

We have so far exposed considerably the concept of Customer Relationship Marketing. Suffice it to say that there are some aspects that have not been properly handled. For the full realization and utilization of the concept, we would like to proffer the following suggestions at this point.

1. IMPLEMENTATION OF TOTAL QUALITY SERVICE (TQS)

Anyanwu (1999) defined TQS as a fusion or combination of Total Quality management and marketing concept. Total quality is the key to creating customer value and satisfaction. Thus customers satisfaction and company profitability are linked closely to product and service quality. Higher levels of quality result to greater customer satisfaction. The task of improving product and service quality should be the company's top priority. Companies today have no choice but to adopt Total Quality Service (TQS) if they want to stay in the race. This is the only way of strengthening relationship marketing.

2. Relationship marketing should be extended to commodity markets, i.e customers who practice transaction marketing and purchase convenient or low involvement goods instead of restricting it to customers of high involvement goods only. Any class of goods that is meant for sale within a firm's offering should be seen as value "carrier" being distinct from that of competitors in order to have competitive advantage.

CONCLUSION

The benefits derivable from the implementation of CRM principles and tenets are inexhaustible. The practice of the concept generates the goodwill and favourable disposition of the customers and general public towards the organization. This automatically leads to the creation of dissonance free environment because the customers who are satisfied tend to be loyal and through word-of-mouth will promote the image of the company effectively.

Marketing, per se, is often regarded as the powerhouse of industrial growth. As one of the latest concepts in marketing, therefore, CRM has a multiplier effect, it attracts wealthy customers and entrepreneurs to invest heavily in the business of the firm; this may eventually lead to partnership arrangements. Where the system works efficiently, it will attract government subsidies and individual subscriptions for the expansion of the business as the customers glorify the image of the organization. The ultimate result is the creation of employment opportunities for the populace.

Consequently, as a hedge against competition, for growth and prosperity beyond the year 2020, companies in the developing countries like Nigeria should embrace CRM like their counterparts in advanced countries.

In the words of Levison (1989) customers have specific values probably different from each other. They have expectations based on what has been communicated to them through the offerings. They are prepared to pay a lot of money for a product or service provided the quality merits the price. Consequently they are anxiously looking for a relationship of trust. As the bedrock of any business organization, therefore, customers are indispensable as long as the business exists. By implementing religiously the concept and principles of Customer Relationship Marketing in their thinking, decision and actions and by enjoying the customers' trust and patronage, business organizations from 2020 and beyond will experience long-term success, progress, growth and profitable return on investment.

REFERENCES

- Anyanwu, A. (1999): *Marketing Management* 1st ed. Barloz Publishers Ltd Owerri.
- Berkowitz *et al.*, (1994): *Marketing* 4th ed. U.S.A Richard D. (Irwin Inc).
- Boone, L. and Kurtz; (1992): *Contemporary Marketing* 7th ed Dryden Press U.S.A
- Gerald, A. and Groomroos, C. (1996): Value Concept and Relationship Marketing, *European Journal of Marketing* vol 30 (2) Inlb. University Press.
- Gromroos and Raval (1996): Value conceptual Relationship Marketing. *European Journal of Marketing* vol 30 (2).
- Keynes, J.M (2001): Theory of Money and Attack on the classical model.
- Kotter and Armstrong, (1994): *Principles of Marketing* 6th ed. (New Jersey Prentice Hall Inc).
- Kotter, P. (1992): *Marketing Management* 5th Edition Prentice Hall International U.S.A.
- Levinson Conrald, (1989): *Guerrilla Marketing attach New Strategies tactics and Weapons for winning big profits from your small business*, Hough Iro Mifflin Company Boston.
- McCarthy, E.J (1978): *Basic Marketing* R.D Irwin Inc.
- Miecarshy and Shapiro (1978): Ontario Irwin Dorsey Ltd.
- Stone, M. and Foss, B. (2001): Customer Relationship Market Strategies, New tools for getting closer to your customer. *European Journal of Business and Economics*. Italian.
- Zinkhan, G.M (2002): Relationship Marketing Theory: *Journal of Market focused management*; vol 5. Pg. 53 – 89.