

THE FOCUS OF COMPANIES ON CLIENTS – A MAJOR TREND IN THE CURRENT BUSINESS ENVIRONMENT

Lecturer Diana Soca Ph.D
Romanian-American University
1B, Expozitiei Avenue, Sector1, Bucharest
soca_diana@yahoo.com

Abstract

Under the impact of economic dynamism, sharpening competition, globalization and computerization, the late twentieth century is characterized by moving from a transactional to a relational marketing in which companies focus on developing relationships with customers, increasing their level of satisfaction and ultimately gaining their loyalty.

Keywords: relational marketing, customer loyalty

JEL Classification: M31

1.Introduction

Finding and keeping the right customers are the main concerns of companies managers (especially in services companies) nowadays. But building relationships isn't easy, especially when a firm has vast numbers of customers who interact with the firm in many different ways, from email and websites to call centers and face-to-face interactions. CRM (Customer Relationship Management) systems can be of a real use to managers in achieving their goals. When they are well implemented, CRM systems provide managers with the tools to understand each of their customers and provide services tailored on their individual needs.

2.Transaction marketing vs. relational marketing

Research conducted by specialists suggest that there are four distinct types of marketing: transactional marketing and three categories of what they call relational marketing: database marketing, interaction marketing, and network marketing.

In **transactional marketing**, companies focus on the transaction, each sale or purchase is a separate event and no meaningful long term relationship is developed between the company and the customer. This is the case of many services, ranging from passenger transport to food service or visits to a movie theater.

Relational marketing is a business philosophy, a strategic orientation that emphasizes on building long term relationships with customers by creating a dialogue with them. Customers become partners and the companies need to take long-term commitments to maintain the relationship through quality, service and constant innovation.

In **database marketing** the focus is still on the market transaction, but now it also includes information exchange. Marketers rely on information technology, usually in the form of a database, to form a relationship with targeted customers and retain their patronage over time. However, the nature of these relationships is often not a close one, with communication being driven and managed by the seller. Technology is used to identify and build a database of current and potential customers, deliver differentiated messages based on consumers' characteristics and preferences, and track each relationship to monitor the cost of acquiring the consumer and the lifetime value of the resulting purchases. The possibility of customers conversing directly with providers, combined with the existence of efficient databases lead to the development of a large-scale customized marketing. Instead of selling a product to a large number of clients in a given period of time, this type of marketing, also known as "mass customization marketing" or "one to one marketing" uses databases and interactive communications to try to sell as many customized products and services as possible to a customer over a long period of time. Although technology can be used to personalize the relationship, relations remain somewhat distant. Utility services such as electricity, gas, and cable TV are good examples.

Interaction marketing - a closer relationship often exists in situations where there is face-to-face interaction between customers and representatives of the supplier (or "ear-to-ear" interaction by phone). Although the service itself remains important, value is added by people and social processes. Interactions may include negotiations and sharing of insights in both directions. This type of relationship exists in many local service markets, ranging from community banks to dentistry, in which the buyer and the seller know and trust each other. It is also commonly found in many B2B (Business to Business) services. Both the firm and the customer are prepared to invest resources to develop a mutually beneficial relationship.

Network marketing - in a B2B context, marketers work to develop networks of relationships with customers, distributors, suppliers, the media, consultants, trade associations, government agencies, and even the customers of their customers. The term "good networker" is used to describe someone who is able to put entities (individuals or companies) with mutual interests in touch with each other. This leads to the development of what is commonly known as "virtual" companies. A "virtual" company is a network of independent firms that work together to achieve a specific project, exploiting the possibilities offered by information technology and telecommunications.

3.Attracting and retaining customers

Another dilemma that managers and marketing specialists face is the importance of attracting new customers versus the importance of keeping the already existent customers in the organization's portfolio. Which of the two activities should be the priority? For which of the two should the company allocate most of its resources? managers often wonder given that firms don't have the desired or needed amount of human and financial resources to meet all of their strategic objectives. The correct answer is that each organization must simultaneously perform steps for attracting and retaining customers, but investing a different amount of resources in each of the two areas, depending on the organization's stage of evolution, the product / brand and the market. Initially, attracting customers is more important for the organization, instead when products reach a mature

phase, when there are no more unaddressed market segments and customers are divided between the various competitors, customer maintenance strategies become priority.

Identifying and attracting new clients is of major importance in the following situations:

- the start of a new company or the entrance of a company on a new market
- when applying an offensive strategy to increase market share or to increase market coverage
- when opportunities are offered by the upward trend of a particular market segment
- when replacing the customers who are migrating towards other companies
- when recovering after the loss of a large number of clients (a crisis situation)
- when identifying new customers that would generate a profit flow greater than that associated with the current clients

The promoters of relational marketing point out the vital importance that retention and customer loyalty strategies have. The necessity of keeping customers has become essential once the companies have realized that attracting a new customer can be from 3 to 15 times more expensive than keeping an already existent customer. Also, according to the latest research, 1\$ invested in advertising will bring on a long term 5\$ while the same 1\$ invested in CRM strategies, especially in customer loyalty, will bring 60\$.

From a customer's perspective, customer loyalty is the willingness to continue to seek the exclusive services of a company for a long period of time and also recommend them to friends and associates.

From an organization's perspective, loyalty requires a marketing strategy that aims to build lasting relationships between the organization and the clients, relationships that will benefit all of them. Customer loyalty is very important for organizations because it leads to:

- increased profits derived from increased sales - sales analysis reveals that with the passing years, loyal customers tend to buy more and more services offered by the company which they have a solid relationship with
- profit from reduced operating costs - as customers become more experienced, they make fewer demands on the supplier (for instance, they have less need for information and assistance). They may also make fewer mistakes when involved in operational processes, thus contributing to greater productivity
- profit from free advertising – loyal and satisfied customers recommend the company services to friends and associates. This type of advertising is more effective than any other type of advertising the company could use (discounts or offers) and ultimately lowers the costs of attracting new customers
- profit from price premium - long-term customers are more likely to pay a price premium when they are highly satisfied. Moreover, customers who

trust a supplier may be more willing to pay higher prices at peak periods or for express work

A retention strategy may have different objectives depending on the type of activity that the company carries. So you can choose:

- retaining strategic customers - customers who represent the major part of the turnover. This category includes those who have important relationships with the organization, customers who buy large amounts of goods and market leaders
- retaining distributors in the business to business market, reducing the risk of them changing supplier
- retaining those customers who are most attracted by the competition's offer

Christopher Lovelock and Jochen Wirtz, in their work „Services Marketing – People, Technology, Strategy”, use the „wheel of loyalty” as an organizing framework for thinking about how to build customer loyalty. It comprises three sequential strategies:

1. The firm needs a solid foundation for creating customer loyalty, which includes having the right portfolio of customer segments, attracting the right customers, tiering the service, and delivering high levels of satisfaction.
2. To truly build loyalty, a firm needs to develop close bonds with its customers, which either deepen the relationship through cross-selling and bundling, or add value to the customer through loyalty rewards (financial, nonfinancial, higher-tier service levels, recognition and appreciation) and higher-level bonds.
3. The firm needs to identify and eliminate factors that result in the loss of existing customers and the need to replace them with new ones. This can be achieved by conducting diagnostics, developing proactive and reactive retention measures and also by putting effective complaint handling and service recovery processes in place and increasing switching costs. It is important to have information about the clients that dropped the company services and the reasons that led to their renunciation. It is estimated that annually an organization of the North American market loses up to 20% of its customers. With mobile phone companies this rate reaches 30% and in some sectors (automobile dealers, Internet service providers) the loss rate can reach even 50%.

Some experts claim that a company should aim to keep all its customers. That is hardly possible since some clients disappear from the portfolio for reasons such as: moving to another area, natural death, bankruptcy. In fact retaining all of the customers isn't even profitable. Sometimes there are situations when a company may find that some clients generate losses and maintaining relationships with unprofitable customers is not justified.

In order to adopt a client-centered strategy, managers must be aware of the following features of the 21st century consumer:

- he appreciates quality
- he tends to be disloyal to brands
- he is well informed
- he wants to share the problems that he is facing

- he wants to inform companies about the products or services that he needs
- he wants companies to share information with him
- he wants to be able to receive his products anywhere and anytime

This requires careful monitoring of the business environment in order to react and adapt to changes occurring in the needs of potential customers, demand, preferences and competitors, and it can be achieved through marketing research based on surveys (questionnaires by mail, face to face interviews, customer panel, focus groups), the analysis of secondary sources and in-depth interviews.

4. Conclusions

In the current business environment, companies tend to focus more and more on clients. Ted Levitt of Harvard University says: "If you don't think at the customer than you don't think at all". Customer orientation means that everything a manager does must be based on meeting the customer expectations. This requires prompt service (clear, concise and documented information, quick settlement of client complaints), positive, honest and open attitude in dealing with clients, high attention to detail and highly qualified personnel (with a high level of knowledge, able to assume responsibility and leave a good impression on clients).

Attracting, retaining and regaining customers are the main objectives of relational marketing and companies must implement effective strategies and programs to achieve these goals.

Bibliography:

- [1] Cetina I. , Brandabur R. and Constantinescu M. – Marketingul serviciilor – teorie si aplicatii, Ed. Uranus, Bucharest 2006
- [2] Copulsky J. R. and Wolf M. J. - Relationship Marketing: Positioning for the Future, Journal of Business Strategy, 11, no. 4 (1990)
- [3] Faulkner M. – Customer Management Excellence, Jon Wiley & Sons, 2002
- [4] Kaufman M. – Customer Relationship Management: The Ultimate Guide to the Efficient Use of CRM, Amacom, april 2001
- [5] Kotler Ph. – Managementul Marketingului, Ed. Theora, Bucharest 2007
- [6] Lovelock Ch. , Wirtz J. and Lapert D. – Marketing des services, Ed. Pearson Education France, Paris 2004
- [7] Lovelock Ch. and Wirtz J., Services Marketing – People, Technology, Strategy , Sixth Edition, Pearson Prentice Hall, New Jersey 2007
- [8] Nicole E. Coviello, Roderick J. Brodie and Hugh J. Munro – Understanding Contemporary Marketing: Development of a Classification Scheme, Journal of Marketing Management, 13, no. 6 (1995)
- [9] Purcarea Th. , Ratiu M. – Comportamentul consumatorului - o abordare de marketing, Ed. Carol Davila, Bucuresti 2007
- [10] Purcarea TH. – Managementul relatiilor cu clientii, Ed. Carol Davila, septembrie 2011