Role of Relationship Marketing in Competitive Marketing Strategy

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Abstract

Competitive Marketing Strategy (CMS) has relationship marketing (RM) as one of the key functionality in enhancing business performance. RM is defined as the identification, establishment, maintenance, enhancement, modification and termination of relationships with customers to create value for customers and profit for organization by a series of relational exchanges that have both a history and a future. Relational exchanges can be viewed under transaction cost analysis and social exchange theories depending on the context. The role of RM in CMS includes: guide moments of truth, improve profitability, build partnering, address 'Customer Better', buy in of customer attention, protect emotional well being, understand consumer psyche, build trust with customer. All these roles are observed empirically in the hotel industry, with some hotels placing emphasis on their extraordinary operations and services to engage with the customer.

Key words: relational exchanges, emotional well being, trust, profitability, partnering

1.0. INTRODUCTION

The purpose of competitive strategy is to achieve a sustainable competitive advantage (SCA) and thereby enhance a business performance (Bharadwaj, 1993). One of the major objectives of marketing strategy is to enhance the long-term financial performance of a firm. As such competitive marketing strategy serves to improve financial performance of the firm through the route of sustainable competitive advantages. There are four essential requirements for a resource/ skill to be a source of SCA (Barney, 1991). It must be valuable; it must be rare among competitors; it must be imperfectly imitable; there must not be any strategically equivalent substitutes for this resource skill. Sources of SCA leads to positional competitive advantage (differentiation and low cost). Sustainability of positional advantages leads to superior long-term market and financial performance. Formulating competitive marketing strategies also involves, recognizing relationships between elements of the marketing mix as well as assessing the impact of competitive and market conditions on marketing mix formulation. A model (Carpenter, 1987) has been outlined of the relationship between product quality levels, promotion expenditures and prices and assesses the impact of industry structure on the formulation of marketing mix. Relationship marketing serves as a moderator for the sustenance of positional advantages and influences the impact of competitive and market conditions on the formulation of the marketing mix.

Competitive advantage is realized based on three factors (Sudarshan D, 1995): (1) the firm's marketing strategy, (2) implementation of this strategy and (3) the industry context (Porter's model). An important component of firm's marketing strategy is relationships. Relationships with customers, channel members and with competitors. He defines each relationship by the identity of the partner public and the contract with it.

1.1. Importance and Objective of the study:

There are two important streams of conceptual and empirical work in strategic marketing that have developed more or less independently during the past 10 years (Steinman, Deshpande and Farley, 2000), although the two are inherently interrelated. One stream is market orientation which focuses on the extent to which a customer focus binds suppliers and customers together. The second stream is relationship marketing, which principally focuses on efforts of sellers, but also of buyers to some extent, to move from single transaction consummation to investment in longer term streams of mutually profitable partnership behaviors (Anderson and Weitz, 1989; Dwyer, Schurr and Oh, 1987; Morgan and Hunt, 1994; Weitz and Jap, 1995). In this context, the following objectives are laid for studying the role of relationship marketing in competitive marketing strategy:

(1) Competitive marketing strategies (CMS) is a systematic action setting process as much as it is a dynamic adjustment process. By studying role of relationship marketing (RM), proper accordance can be given to RM in the systematic action setting. This helps improve the effectiveness of CMS formulation.

(2) By studying role of RM, marketing programs can be suitably designed to attract, develop customer segments. Resource allocations can be made more effective.

(3)	If a particular market needs more relational marketing, then that market can be appropriately addressed for strategic decision making by studying role of RM.

The study is useful to marketing strategists who need to take relationship-marketing efforts into account and is also useful to relationship marketers who need to relate to strategic marketing heads.

In the study, first we examine the nature of relationship marketing. Second we lay out the framework of competitive marketing strategy and delineate the position of relationships. Third we conceptualize the role of relationship marketing to competitive marketing strategy. Fourth we empirically test the role of relationship marketing.

## 2.0.	NATURE OF RELATIONSHIP MARKETING

At the core of relationship marketing is exchange, that is profitable to parties involved in the exchange. The concept of exchanges as it applies to relationship marketing can be viewed at from either a transaction cost analysis approach or a social exchange theory approach.

Transactions are distinguished into discrete transactions and relational transactions. Relational contract law governs relational transactions. In classical contract law that governs discrete transactions identity of parties is not relevant; however this is not true in relationship marketing. In relational contracting the reference point shifts from the agreement (as in classical contract law), to the relation itself as it has developed over time. There might be or might not be an original agreement and if there is, there may not be any great deference to it. In a relational transaction, the contractual gaps between parties are reduced, as the relation becomes stronger and stronger. The frequency with which transactions recur influence the terms of the transaction (discounts as in frequent flyer). The degree to which durable transaction specific investments are incurred determine the rapidity of commitment given and received, the time period of commitment and the intensity of the relation between two parties. Transaction specific investments (asset specificity in physical capital and human capital) leads to relational exchanges where trust is a prime moderator. As such non-specific exchanges leads to transaction marketing and for exchanges that are not non-specific the concept of Relationship marketing will hold (Williamson, 1979). The Williamsonian approach to understand relational contracting has been augmented (Anderson and Weitz, 1992), by postulating that whenever idiosyncratic investments are made by the exchanging parties in one another then there is a stronger commitment to the relationship. In a relationship the set of understandings that has grown up over time (the implicit contract) is more influential. Exclusivity to the other party is also seen as a signal of commitment. Further the relationship dyad has been examined from perspective of a strong buyer facing a large number of small suppliers (Heide and John, 1992) . It has been shown that relational norms do play a role in serving as a governance mechanism to safeguard against opportunistic behavior in the presence of transaction specific assets. It has also been shown that in case of a relationship dyad between a strong supplier and a large number of small buyers relational norms do not play a significant role (Berthon, Pierre et. Al, 2003).

George Homans (George Homans, 1961) first proposed social exchange theory. He said that exchanges of goods and services take place between two parties who are rational entities acting in their own self-interest and who will perform social action based on rewards and costs. The exchange of goods and services take place not only for money but also for non-monetary benefits such as love, esteem, affection and approval. Such exchanges are social exchanges. Social exchanges almost always involve an element of power, allowing one party to do activities

the way it wants to do. Social exchanges involves interaction; interaction occurs when an activity emitted by one man is rewarded (or punished) by an activity emitted by another man. Social exchanges respect sentiment; sentiments are signs of the attitudes and feelings a party takes towards another party. This social exchange theory (George Homans, 1961) draws on the disciplines of behavioral psychology and elementary economics in proposing the principles of social exchange. Behavioral psychology decides on current actions based on past history of behavior / actions. Elementary economics decides on current action based on future stream of profits. It is difficult to balance these two directions. Further elementary economics assume perfect markets. Relationship marketing situations are far from perfect. Also relationships are built on future promises as much as on past behavior. In studying relationship marketing, both the transaction cost analysis and social exchange theory concepts can be used to explain and conceptualize relationship-marketing paradigms.

Relationship marketing refers to a wide range of 'relationship type strategies' that have developed over the past few decades in product as well as service markets and in consumer as well as business to business sectors. The antecedents of RM go to Industrial marketing and Services marketing. RM found ready acceptance in a marketing world where it had become obvious that strategic competitive advantage could no longer be delivered on the basis of product characteristics alone and where corporate profitability was beginning to become associated with satisfying existing customers (John Egan, 2001). Relationship marketing as contrasted to transaction marketing involves relational exchanges that trace to previous agreements. There are four types of buyer-seller relationships – bilateral relationships, seller-maintained relationships, buyer-maintained relationships, discrete exchanges (Dwyer, Schurr and Oh 1987). For a firm relational exchanges could occur with goods suppliers, services suppliers, business units, employees, functional departments, intermediate customers, ultimate customers, competitors, nonprofit organizations, government (Hunt and Morgan 1994). Though conceptualizing relationship marketing accommodates all types of above mentioned relational exchanges, an adequate definition of relationship marketing for the purpose of this paper will relate to exchanges with intermediate customers and ultimate customers. For example, it is also stated that (Berry, 1983) 'Relationship marketing is attracting, maintaining and – in multi service organizations – enhancing customer relationships'.

In industrial marketing, relationship marketing is referred to as marketing oriented towards strong, lasting relationships with individual accounts (Jackson, 1985). From a sales management perspective, the term relationship marketing is applied to a number of different marketing activities ranging from consumer frequency marketing programs to selling activities directed towards building partnerships with key business – to – business customers (Weitz and Bradford, 1999). In developing long term relationships with channel members, it is stated (Anderson and Weitz, 1989) that such relationships combine the advantages of vertically integrated distributed systems (control and coordination), with the advantages of systems utilizing independent channel members (flexibility, scale economies, efficiency and low overhead). They also state that channel relationships are dependent on (1) continuity of relationship (2) trust and (3) communications.

Many global packaged goods manufacturers regard resellers (wholesalers, retailers) as their customers. The literature cites the case of Proctor and Gamble who regard retailers as their customers and Intel which has built its business around OEM customers (Webster Jr., 2000). Consequently developing relationships with resellers is also an important part of RM effort in

marketing strategy process. The relationship between manufacturer, reseller and consumer as shown below is a three-way relationship.

Manufacturer
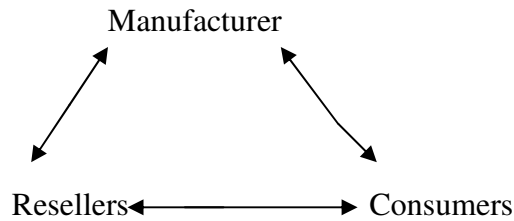
Resellers ← → Consumers

Figure 1

In such a context, the manufacturer and reseller are in a partnership relationship that includes competition and conflict (Webster Jr., 2000). Both manufacturer and reseller deliver value to consumer. In this three-way relation, the quality of relationship for any single player depends on the quality and strength of relationship between the other two.

Other authors have noted multiple uses of the term RM (Brodie et. Al, 1997). They suggested RM be applied at four levels. At the first level, RM is a technology-based tool of database marketing. At a second level, RM focuses on relationships between businesses and its customers with an emphasis of customer retention. At a third level, RM is a form of 'customer partnering' with buyers cooperatively involved in the design of the product or service offering. At a fourth and broadest level, RM was seen as incorporating everything from databases to personalized services, loyalty programs, brand loyalty, internal marketing, personal/social relationships and strategic alliances.

A number of terms have been used as substitutes for relationship marketing or to describe similar concepts (Buttle, 1996). These include direct marketing, database marketing, customer relationship management, data driven marketing, micromarketing, one-to-one marketing, loyalty based marketing, segment of one marketing, customer partnering, dialogue marketing and interactive marketing. All this suggests that RM is also an umbrella philosophy for relational approaches in marketing. To succeed in RM, a company must have both a flow of new customers and there must be a restriction on customers exiting (Leaky Bucket Theory). Though RM has a dual focus on both acquisition and retention strategies, it is retention strategies that are given more prominence. It has been proposed that dual benefits of customer retention (Buttle, 1996) are: (a) existing customers are less expensive to retain than to recruit, (b) securing a customer's loyalty over time produces superior profits. Acquisition costs include (1) personal selling (2) commission payments (3) direct costs and indirect costs of detailed information gathering (4) supply of equipment (5) advertising and other communications expenditure.

Different models are suggested in literature for different relational stages in RM. One model (Dwyer, 1987) suggests that the stages are – Awareness, Exploration, Expansion, Commitment. A second model (Payne, 1995) suggests that the stages are – Prospects, Customers, Clients, Advocates, Members, Partners. A third model (Kotler, 1997) suggests that the stages are – Suspects, Prospects, First time customers, Repeat customers, Clients, Advocates, Members, Partners.

There must be two characteristics present for an exchange situation to be described as a relationship (Barnes and Howlett, 1998). These are: (1) the relationship is mutually perceived to exist and is acknowledged as such by both parties, (2) the relationship goes beyond occasional contact and is recognized as having some special status. Inclusion of 'status recognition in a relationship' puts a doubt whether a relationship could be developed with for example a local supermarket. The existence of special status is less obvious in consumer markets.

Three characteristics are important for customers to desire continuity with the same provider. These are variability, complexity, involvement (Berry, 1995). The author says that relationship marketing occurs at three levels. Level one relationship marketing relies primarily on pricing incentives to secure customers' loyalty. However the sustainability of competitive advantage is minimal on this level one, as pricing moves can be matched quickly. Level two relationship marketing relies primarily on social bonds, though pricing is still a vital element. This involves personalization and customization of the relationship. Level three relationship marketing relies on structural solutions to customer problems, such as Federal Express providing computer terminals in offices of high volume customers.

From the above discussion, for the purpose of this paper, RM is defined as the identification, establishment, maintenance, enhancement, modification and termination of relationships with customers / consumers to create value for customers and profit for organization by a series of ongoing exchanges that have both a history and a future. Such exchanges are called relational exchanges.

3.0. FRAMEWORK OF COMPETITIVE MARKETING STRATEGY

We first outline a format of marketing strategy and then delineate the position of relationships in the framework of competitive marketing strategy.

3.1. Format of Competitive Marketing Strategy

Any marketing strategy has to have a marketing objective. Based on the marketing objective, flows two types of analysis – strategic market analysis and internal analysis. Strategic market analysis involves customer management and analysis, market management and analysis, environmental scanning and future building or scenario planning. Management of relationships with customers and important external bodies in the market such as dealers, suppliers and the government is an important part of marketing strategy formulation and management. Internal analysis includes strengths, weaknesses, core competencies, resource constraint analysis.

Based on the marketing objective, strategic market analysis, internal analysis (and past performance records and present strategy), the marketing strategy for a particular decision problem / situation is developed. This includes the decisions on the 4Ps (Product, Price, Promotion, Place). During the process of marketing strategy development, an analysis of competition and other analytical inputs of the market are used. The marketing strategy developed is so implemented and any deviations from the plan are feedback to the marketing objectives and the development of marketing strategies. Pictorially this format of marketing strategy is as below:

Marketing Objective

Strategic Market Analysis   Internal Analysis

Past Performance, Present Strategy

Feedback

Competition → Marketing Strategy Development

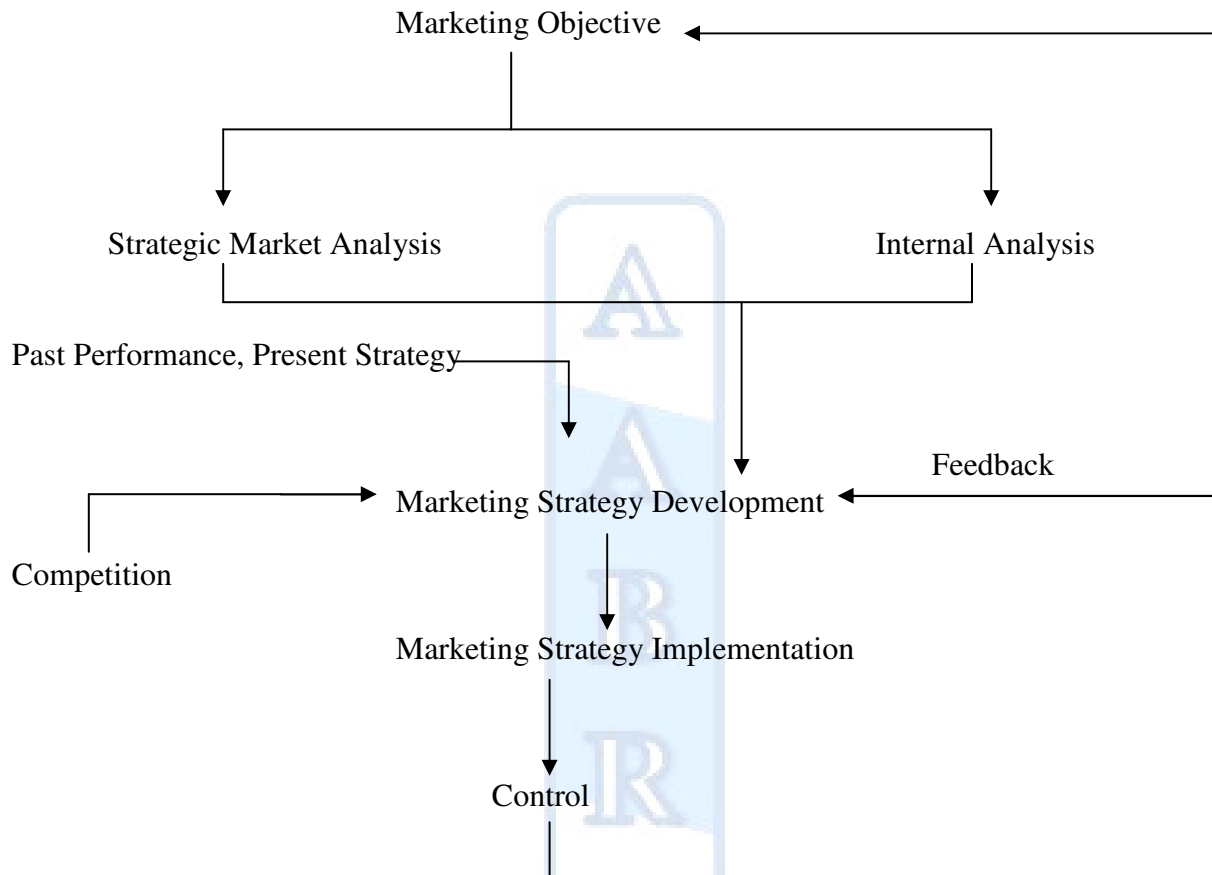Marketing Strategy Implementation

Control

Figure 2

3.2.   Framework for Marketing Strategy

3.2.1   Marketing Objective

For firms to have a formulation of marketing strategy, they should have a marketing objective. Objectives include maximization of profit, maximization of market share, maximization of sales, enhance brand image, improve customer satisfaction, provide customer value, and maintain price stability.

3.2.2   Focus

It is recommended for a marketing strategy to have customer orientation and competitor focus. It is also sometimes called market orientation

3.2.3   Domain

The domain of decision making for marketing strategy includes the following: (1) market selection, (2) positioning / differentiation, (3) market entry / exit / timing, (4) product, price, place, promotion, (5) functional offering of the product. Market selection involves deciding which customer segments the firm will serve, which functions of those customer segments will be supported, the technologies that will be used to provide or support the functions. Positioning is the central theme of a brand / product around which the marketing mix elements of product, price, place, promotion are selected. Market entry / exit decisions can be based on market attractiveness, competitive position or advantages and extent of risk involved in the market.

3.2.4   Prerequisites

Three prerequisites are recommended to the formulation of marketing strategy. The first is there should be an organizational opportunity for the product or service under consideration. This entails existence of market size, reasonable strength of buyer need, manageable risk of market and the ability of the firm to meet the key success factors of the market. The second is that the marketing strategy should be dovetailed with the vision and values of the organization. A high quality firm may find it difficult to introduce low quality, low cost products. The third prerequisite is that contingency should be built for the marketing strategy formulated.

3.2.5   Functionality

The different functions that marketing strategy has to perform include (a) strategic decision making (b) dynamic adjustments to competition and market (c) resource allocation in marketing (d) action setting (e) relationships with key publics. It is this last function that stresses the importance of the role of relationship marketing in competitive marketing strategy. It has been postulated that marketing strategy is a product of marketing relationships, marketing offerings, marketing timing, resources allocation (Sudarshan D, 1995). He states that relationships for a key component of marketing strategy. Each relationship is defined by the identity of partner public (customers, channels) and the contract with it (nature of the relationship).

3.2.6.   Transaction facilitators

Exchange is key to marketing. Transaction is important to the implementation of marketing strategy. Information, servicing and financing can be considered to be the important transaction facilitators.

The above summarizes a framework for marketing strategy.

4.0   ROLE OF RELATIONSHIP MARKETING TO COMPETITIVE MARKETING STRATEGY

4.1.   RM to guide 'Moments of Truth'

In service industries, there is always some form of direct (social) contact between the customer and the service firm. This direct (social) contact or 'service encounter' is so important a part of service delivery that it is frequently called 'the moment of truth' (Johns, 1999).

Strategic Marketing in service industries is influenced significantly by 'Moments of Truth'. By adapting to a RM approach, the organization can virtually turn the 'Moments of Truth' in its favor, as the customers are continually attended to in a Relationship.

4.2.   RM to improve profitability

The return on relationship model (Gummesson, 1999) suggests that good relationships leads to good quality and good customer satisfaction. Good quality arises as internal relationships / employee relationships are fostered. Good customer satisfaction arises as specific customer needs and wants are understood better and served better. Good quality and customer satisfaction leads to customer retention and consequent improved profitability.

Good Internal Quality → Satisfied Employees → Employee Retention → Good External Quality → Customer Satisfaction → Customer Retention → High Profitability
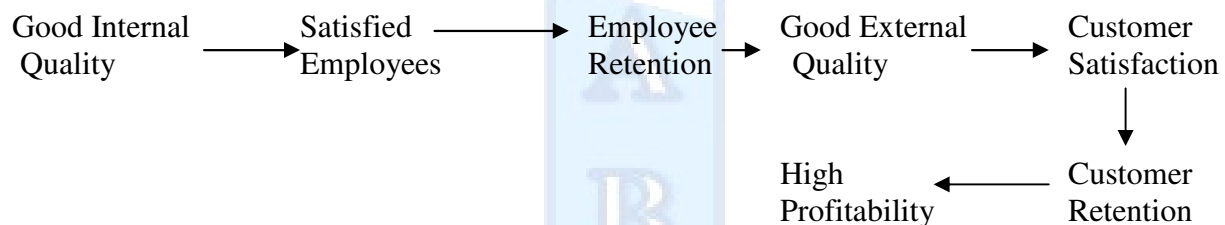
Figure 3:   Return on Relationship Model (Gummesson, 1999)

One of the major objectives of competitive marketing strategy is to improve the long-term financial performance. Relationship marketing by working towards improving profitability based on exploiting its relationships serves this financial performance objective of marketing strategy. In fact, RM pays off handsomely when products or services have high switching costs e.g. office automation system. RM is profitable when customers are willing to stay with suppliers for a long period of time. Transaction marketing on other hand pays when there are low switching costs.

4.3.   RM builds partnering

RM fosters external partnerships that cater to the mega-marketing needs of a business. RM fosters external partnerships through networks (individual relations); collaborations (organizational relations) including alliances. These sets of external relations bring together market elements synergistically. The management of the set of external decisions to the firm-customer relationship is called as mega-marketing or market externalities. The deep personal, social contacts fostered under the umbrella of relation building help solves the external decisions to a firm-customer relationship.

Personal selling plays a key role in the partnering especially in buyer-seller relationships (Weitz and Bradford, 1999). The focus of personal selling shifts from influencing buyer behavior to a management of conflict inherent in the buyer-seller relationships. Conflict management approaches include that of avoidance, accommodation, confrontation, compromise and collaboration. The approaches indicate commitment (high or low) through signaling and have low to high levels of exchanging information. The approaches vary in their levels of assertiveness and cooperation.

The role of a salesperson is more of a value creator than a persuader or problem solver. Attempts are made through specific investments to build competitive advantages for the buyer-seller dyad over competing dyads.   There is the development of a sales team headed by relationship managers to interface with the buy center. The sales team is more customer-centered than product centered.   Relationship Managers are to have knowledge, skills and abilities to perform their jobs. Much of their knowledge comes from on-job learning. Some of the skills used by relationship managers include creative problem solving, innovativeness, cross-functional interaction, conflict management, build trust, planning and project management and leading teams. Relationship managers are in a way akin to brand managers.

Relationship managers in assessing performance give importance to relationship quality. Some of the constructs used for relationship quality include trust, commitment, satisfaction, ethical conduct, customer orientation, minimal opportunism, willingness to invest, expectations of continuity, share of customer and growth in customer value (Weitz and Bradford, 1999).

4.4.   Relationship technology helps address 'Customer Better'.

Relationship technology leads to deep customer insights so useful in the formulation of effective marketing strategy. Information technology helps store and manipulate extensive information about the customer. This information about the customer is used in marketing called CRM – customer relationship management. Through the technology of 'CRM', RM helps uncover consumer insights. Also the technology of 'CRM' helps understand and manage customers better. 'CRM' helps give attention from the mindspace of the marketer to the mindspace of the customer. The key analytical CRM applications include (Kelly, 2000): (a) Sales analysis (b) customer profile analysis (c) campaign analysis (d) loyalty analysis (e) customer contact analysis, (f) profitability analysis.

 Database Marketing uses databases to hold and analyze customer information thereby helping creating strategies for marketing. DbM usually uses personalized communications. Data mining refers to uncovering relationships about customers from customer data. Advanced software and hardware have made it possible to extract consumer insights that might not have been possible otherwise.

Apart from Database marketing (DbM) and CRM, Relationship technology also includes direct marketing (DM). This individual attention to individual customer needs has been described as 'One-to-One' marketing. This type of marketing implies the development of long term relationships with each customer in order to better understand that customer's needs and better deliver the 'service' that meets the individual requirements. (Chaffey et. Al , 2000). One – to – One marketing leads to better interactivity of the customer and the firm. The interactivity leads to high degree of dialog that leads to better understanding on the part of the firm. This leads to superior relationships and consequently a better dialog and understanding. One-to-One Marketing (Peppers et. Al, 1999), is grounded on idea of establishing a learning relationship with

each customer starting with most valuable ones. Advantages accrue to the firm over competition due to process of customization, even if competitor were to offer same level of customization. There are four steps to a one-to-one marketing program (a) identifying your customers' (b) differentiating among customers' (c) interacting with customers' (d) customizing your product/service. One-to-One marketing results in reduced customer attrition and higher levels of customer satisfaction due to improved customer understanding. This improved customer understanding can be used in formulation of effective marketing strategy.

Both Database marketing and direct marketing use a database of customer data. In database marketing, database is analyzed to create strategies for marketing while if communication with customers is envisaged to elicit direct response then the concept of direct marketing comes into play.

4.5. Buy in of Customer Attention.

It is very important to note that it takes 'two' to form a relationship. As such, if a firm has ongoing relationship strategies with its stakeholders (customers, suppliers, employees, government etc), then implementation of competitive marketing strategies (be it a pricing policy or a positioning change etc) becomes smoother. This is because in forming a relationship, the stakeholder has come to appreciate the objectives and the strategies of the firm to an extent. To this extent, employee care on customers is very important. In relationship marketing, this is accomplished by reducing expenses on advertising and increasing expenses on customer care. Buy in of customer (attention) is also made possible by developing long term engagements with customers.

4.6. Protect Emotional Well being

RM plays an important role in protecting emotional well being of customer. Deep dissatisfactions are avoided, customers are made to feel important, private information of customers are handled fairly well, long run supply security is provided, customer care is maximized, sudden spikes in demand are managed. Care should be taken to preserve the prestige and well being of the customer. The customer in turn transfers greater responsibility of the supply to the seller. The seller can increase his service and maximize his profitability.

4.7. Understand consumer psyche

RM helps the company to understand consumer psyche and shifts in psyche, owing to long association and close bonding that the company enjoys with the buyer. The company becomes a sort of consumer specialist in selected areas that the company operates. Information gaps with the customer are considerably reduced and it is quite likely that the company acquires information advantages with respect to competition. This helps in acquiring new customers, launching new products and services, testing new concepts, improving products and services. Understanding subtleties in consumer psyche also helps in delighting the customer, which may not be possible otherwise. This enables the company to also function as a brand specialist.

4.8.   Build Trust with Customer

Relationship marketing is built on the foundation of trust, as research demonstrates (Morgan and Hunt, 1994). Trust is a 'willingness to rely on an exchange partner in whom one has confidence' (Moorman, Deshpande and Zaltman, 1993). Trust ensures that the relational exchange is mutually beneficial, as the good intentions of partners are not in doubt. Customers buying black box services (automobile repair), are specially benefited by the existence and development of trust (Berry, 1995). Much of relationship marketing progresses on the trust the customer places with the firm.

5.0.   RELATIONSHIP MARKETING IN PRACTICE

The hotel industry was chosen as the industry sector for research as it presents rich information for relationship practices. The city of Bangalore was selected owing to its cosmopolitan culture and its rising international travelers. All 5-Star hotels in the city of Bangalore were interviewed at the level of Head-Marketing by means of a one to one depth interview. The interview sheets (see Appendix A) were then content analyzed and summarized as below (please see acknowledgements at the start of paper).

A good product or service should back a good relationship. A relationship is a mutual give and take. A relation occurs when the transaction occurs. However, transaction focus is mechanical and with human relations the managers cannot be mechanical. It is beneficial for both individuals, in good and bad times. One hotel defines the elements of a good relation to be honesty, transparency, be forthright, and not differentiate between Indian and foreign customers. Expenses are not the focus in RM; facility development and provision is basic to RM, the focus is that the 'Customer should not suffer'. The hotels act as solution providers. One hotel for example provided wireless Internet connectivity, corporate loyalty programs, and international AVIS tie-ups. RM is very strong in hotels; it exists from Secretaries to CEOs. RM efforts are directed at CEOs, government, decision making people in organizations, ancillaries, related businesses, dealers, individual travelers, travel agents, upmarket socialites. RM efforts are also targeted at the officials who are in charge of bookings. Even a standard smile builds a relationship. Relation development takes place both through personal relation building and word-of-mouth relationships. In some hotels there are dedicated RM executives, RM managers who take care of account management of customers on an ABC classification. In other hotels, the entire sales team is relationship building. In one hotel, one sales manager acts as the one source answer to around 120 companies.

Trust in RM is very important. In some hotels this is the main focus. It needs to go along with commitment. It needs to develop with the business. If deliverable is good then trust increases. There is no explicit buy in of customer; however the relationships are so well nurtured that the customer automatically buys. There is no need of selling after that. The switching costs are increased so that the customer is retained. The switching costs may be increased by emotional lock-ins, good experiences, excellent conferencing facility, holidaying for executives' etc. In one hotel the concept is of ultimate service and they have won global awards for ultimate service. Such hotels do not focus on relationship marketing efforts but expect the customer to buy from them in a repeated manner owing to their ultimate service. Employees are empowered to decide that will reflect a sense of willingness to deliver impeccable service. Such organizations are very strong in operations and relationship marketing is only a small part of the

customer pleasing process.   Hotels offering ultimate service are part of a larger group of hotels offering value (through products, technology, and security) service quality.

The role of RM is to take care of emotional well being of customer. This is an important role of RM in marketing strategy. The emotional quotient level is high in the hotel business. Protecting emotional well being is linked to building trust. In one 5 star hotels for example, they take care of health – one Indian hotel calls Thailand massage experts to relieve stress of its guests who travel across countries and are subjected to stress. In another hotel they strive to provide the best security systems with good floor security, CCTV. There are also periodic reports on food tests on whatever is eaten to say that they care for the customer. Another hotel went all the way with police procedures to retrieve a stolen / misplaced item of a client who held a wedding party in a hotel.

Relationships with the government are also important. In one hotel, there were 70 licenses allotted to run the hotel. Relationships with the government lead to important information, which can lead to advantages. One example is of a hotel that got advance information through a relationship of the location of an international airport and bought land at a low price. Apart from relationships with government, external partnerships with vendors, food sampling and testing through microbiology sections, employee satisfaction, senior citizen package etc help improve company image in the market.

It is not possible to displease the customer and maintain effective ongoing relationships. Customer retention is a very important part of RM and is the link to relationship management. In one hotel for example at one point of time there are 158 Managers from 130 companies to be serviced and every care should be taken that the customers are simultaneously well serviced. Customer acquisition is also important and is normally more expensive. RM also helps understand and track customer psyche and its changes based on which customer value propositions can be built. They also try to customize offerings based on their understanding of the customer psyche.

RM programs in hotels include loyalty programs (dedicated loyalty programs are sometimes included), frequency marketing, tie-up with credit card companies, database marketing (local and central databases, segment focus), direct marketing, guest relationship program, preferred partner programs (one hotel had 350 preferred partners in city), direct email, newsletter, food festivals. Relationships are also driven by rate fixing for room rent, which goes on a variable rate depending on the business. Customer management practices in one hotel includes (a) communication starting with RM manager (b) broadband facilities (c) complementary cocktail hour (d) complementary boardroom facility (e) international newspaper (f) Japanese breakfast (g) capture of customer profile and appropriate reactions. One hotel gave a helping hand to customers who stayed with them a long time for settling in a new home.

Relationship marketing efforts give feedback for strategic decisions such as (1) opening up of new hotel, (2) start of new advertising campaign, (3) competition action / reactions to be made.
RM is normally expected to improve profitability, though it is the long-term profitability and not the short-term profitability that is expected to improve. The improvement in profitability also comes from the elements of trust. RM managers gather market intelligence and give market information advantages to strategic marketers, which enable better adjustments of the firm to the market over time. RM managers work on experience, that is the basic thrust. RM helps the seller to guide the moments of truth in his favor. The revolutionary thought in relationship marketing is to give what the customer wants and not what the selling firm wants. To do this the internal

clients have to understand that the ultimate customer is important and as such Internal Marketing is very important.

For RM to lead to competitive advantage the product has to be good, operations should support the RM efforts and service delivery has to be excellent. RM is bad when the customer backfires; in this sense it is a high risk, high return process. Long-term relationships are beneficial as long as it is professional; there is a thin line between the client and the provider, which has to be maintained. The providers have to continuously demonstrate that these long-term relationships are win- win. This is difficult to maintain as expectations increase with relationships. Some hotels go beyond call of duty to make this expectation fulfillment possible. They anticipate and meet customer needs from a very proactive sense.

6.0.   SUMMARY

The role of Relationship Marketing in Competitive Marketing Strategy has been studied. Both transaction theories and social exchange theories should be used dependent on context to model relational transactions. Relationship Marketing (RM) is one of the streams of conceptual and empirical work in strategic marketing (Steinman, Deshpande and Farley, 2000). RM is defined as the identification, establishment, maintenance, enhancement, modification and termination of relationships with customers / consumers to create value for customers and profit for organization by a series of ongoing exchanges that have both a history and a future. Such exchanges are called relational exchanges. Relational exchanges can be examined under transaction cost analysis or social exchange theory depending on the context. Relationships with intermediate customers, ultimate customers and other key publics (vendors, government) in the business process is important in CMS as outlined in the framework of marketing strategy. Relationships are a cornerstone of Marketing Strategy (Sudarshan D, 1995) . The role of RM in CMS includes (a) Guide moments of Truth (b) RM to improve profitability (c) RM builds partnering (d) Address 'Customer Better' (e) Buy in of Customer attention (f) Protect Emotional well being (g) Understand consumer psyche (h) Build trust with customer. All these roles are observed empirically in the hotel industry. However the role of RM varies from hotel to hotel, with some placing emphasis on RM practices whereas others depend on their extraordinary operations and services to engage the customer on a continuous basis. RM practices in hotels include loyalty programs (dedicated loyalty programs are sometimes included), frequency marketing, tie-up with credit card companies, database marketing (local and central databases, segment focus), direct marketing, guest relationship program, preferred partner programs (one hotel had 350 preferred partners in city), direct email, newsletter, food festivals. RM serves to provide competitive edge only when a good product backs it; excellent operations and a good service delivery set up.

7.0. MANAGERIAL IMPLICATIONS

Relationships as a focus of marketing strategy aids in the understanding of consumer needs and wants, which is useful to implement profitable exchanges. RM also helps customizing solutions to important customers, more efficiently than otherwise. Knowledge and application of RM helps in achieving customer satisfaction, customer retention, and customer acquisition. Examples include airline firms and hotel firms. In addition RM aids in obtaining increased commitment from the customer; this is important if businesses have to be sustained for extended

periods of time. RM leads to partnering and partnering leads to profitable exchanges. RM helps even out volatile demands. It also protects the emotional well being of the customer. Given the above RM is a tool of furthering the customer understanding and interactive processes. RM outputs can thus be usefully used, as inputs in product design and development, want identification, improving selling systems, pricing strategies. It is one of the supports to systematic action setting in competitive marketing strategy.

APPENDIX A

Depth Interview Checklist

1. Definition of Relationship Marketing (RM)
2. Types of RM practiced – loyalty programs, direct marketing, database marketing
3. Customer Management Practices
4. Efforts in customer acquisition and customer retention
5. RM from a sales management perspective
6. Stakeholders in a hotel business for relationships
7. Long term relations and profitability
8. Roles of organizational heads in relation building
9. Role of RM in marketing strategy – guide moments of truth, improve profitability, build partnering, address customer better, buy in of customer attention, protect emotional well being, understand consumer psyche, build trust
10. Role of RM in building competitive advantage and in marketing strategy.

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