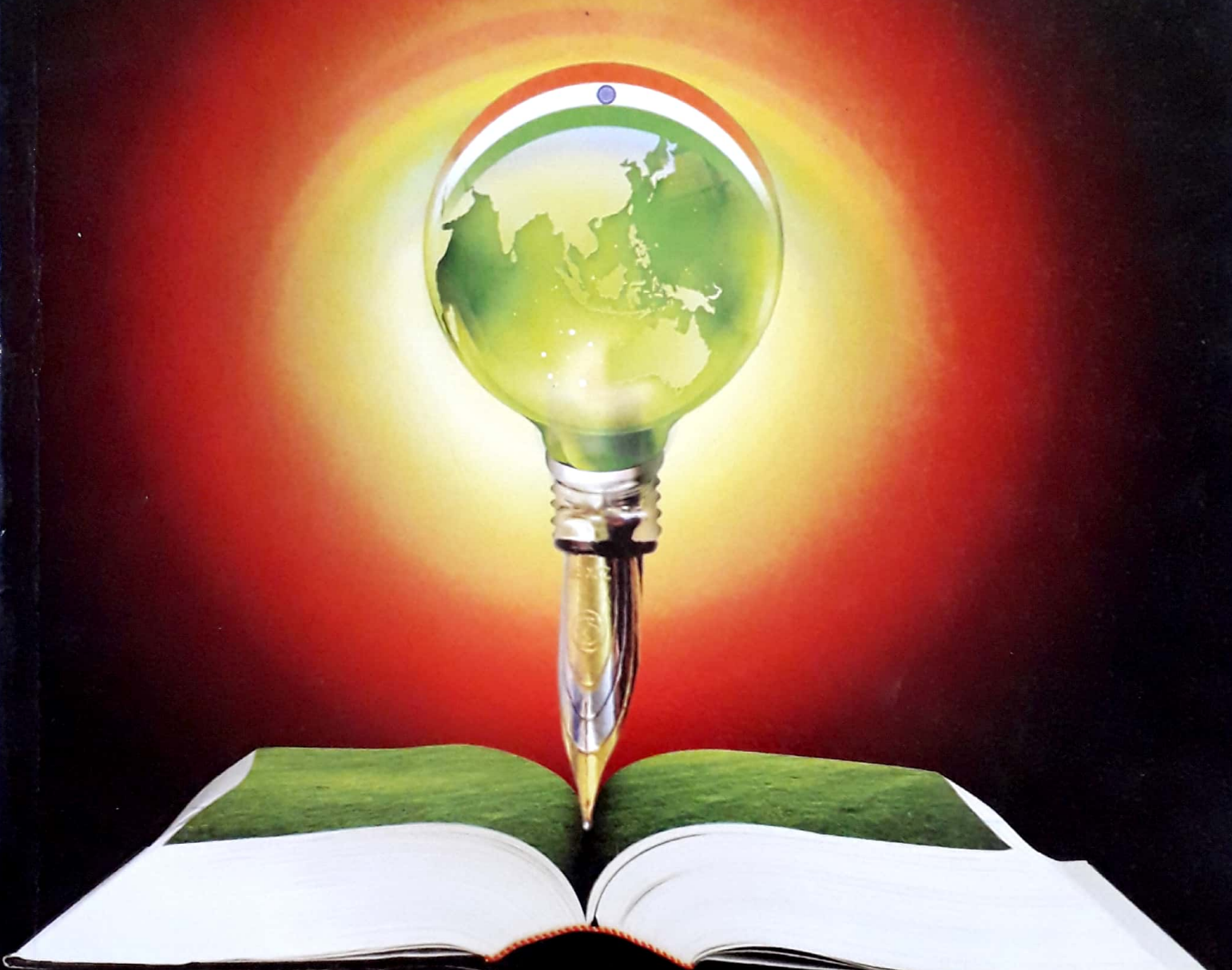


ISSN 2320 - 4494  
RNI No. MAHAUL03008/13/1/2012-TC

# POWER OF KNOWLEDGE

An International Multilingual Quarterly Refereed Research Journal

VOLUME : I ISSUE VII April - June 2014



ARTS | COMMERCE | SCIENCE | AGRICULTURE | EDUCATION | MANAGEMENT | MEDICAL |  
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(50) 208 to 201

Power of Knowledge

Volume : I

Issue : VII

Apr.-June, 2014

ISSN 2320- 4494

RNI No. MAHAUL03008/13/1/2012-TC

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An International Multilingual Quarterly Refereed Research Journal

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**Price : Rs. 300/-**

**Annual Subscription: Rs. 1000/-**

RNI No.MAHAUL03008/13/1/2012-TC

ISSN 2320-4494

**POWER OF KNOWLEDGE**

An International Multilingual Quarterly Refereed Research Journal

**Vol. I, Issue - VII**  
**Apr.-June 2013**

**Publisher's Name :**

Saw. Lata Sadashiv Sarkate  
Indian

C/o Dr.S.H.Sarkate  
Art's, Commerce & Science  
college, Gadhi Tq. Georai,  
Dist. Beed 431143(MS)

**Place of Publication :**

Georai Tq. Georai,  
Dist. Beed 431143(MS)

**Printer Name :**

Saw. Sarkate Lata Sadashiv  
Indian

C/o Dr.S.S.Sarkate  
Art's, Commerce & Science  
College, Gadhi Tq. Georai,  
Dist. Beed 431143(MS)

**Printing Press & Address :**

**Shradha Enterprizes**  
Opp. Tahsil Office, Nagar Road,  
Beed Tq. & Dist. Beed -431122(MS)

**Editor's Name**

**Sarkate Sadashiv Haribhau**  
Indian

Dr.S.S.Sarkate Arts Commerce  
& Science College, Gadhi  
Tq. Georai Dist. Beed

**Owner(s) Name**

**Sarkate Lata Sadashiv**  
(Individuals)

**Price : Rs. 300/-**

**EDITOR****Sarkate Sadashiv Haribhau**

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## Customer Relationship Marketing (CRM): Need of Changing situation

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Customer Relationship Marketing (CRM) is a business process in which client relationships, customer loyalty and brand value are built through marketing strategies and activities. CRM allows businesses to develop long-term relationships with established and new customers while helping streamline corporate performance. CRM incorporates commercial and client-specific strategies via employee training, marketing planning, relationship building and advertising. Developing an effective marketing plan is all about knowing what makes your product or service unique and figuring out how to communicate that to potential clients.

Modern consumer marketing originated in the 1960s and 1970s as companies found it more profitable to sell relatively low-value products to masses of customers. Over the decades, attempts have been made to broaden the scope of marketing, relationship marketing being one of these attempts. Arguably, customer value has been greatly enriched by these contributions.

The practice of relationship marketing has been facilitated by several generations of customer relationship management software that allow tracking and analyzing of each customer's preferences, activities, tastes, likes, dislikes, and complaints. For example, an automobile manufacturer maintaining a database of when and how repeat customers buy their products, the options they choose, the way they finance the purchase etc., is in a powerful position to develop one-to-one marketing offers and product benefits.

Definition: Relationship marketing was first defined as a form of marketing developed from direct response marketing campaigns which emphasizes

customer retention and satisfaction, rather than a dominant focus on sales transactions. As a practice, relationship marketing differs from other forms of marketing in that it recognizes the long term value of customer relationships and extends communication beyond intrusive advertising and sales promotional messages.

Importance: With the growth of the internet and mobile platforms, relationship marketing has continued to evolve and move forward as technology opens more collaborative and social communication channels. This includes tools for managing relationships with customers that go beyond simple demographic and customer service data. Relationship marketing extends to include inbound marketing efforts, (a combination of search optimization and strategic content), social media and application development.

Relationship marketing refers to a short-term arrangement where both the buyer and seller have an interest in providing a more satisfying exchange. This approach tries to disambiguously transcend the simple post purchase-exchange process with a customer to make more truthful and richer contact by providing a more holistic, personalized purchase, and uses the experience to create stronger ties.

From a social anthropological perspective we can interpret relationship marketing theories and practices as commodity exchange those instrumentalist features of gift exchange. It seems that marketers — consciously or intuitively — are recognizing the power contained in 'pre-modern' forms of exchange and have begun to use it. This particular perspective on marketing opens up fertile ground for future research, where marketing theory

and practice can greatly benefit from in-depth research of the principles governing gift exchange. According to Liam Alvey, relationship marketing can be applied when there are competitive product alternatives for customers to choose from; and when there is an ongoing and periodic desire for the product or service.

**Application:** In web applications, the consumer shopping profile can be built as the person shops on the website. This information is then used to compute what can be his or her likely preferences in other categories. These predicted offerings can then be shown to the customer through cross-sell, email recommendation and other channels. Relationship marketing has also migrated back into direct mail, allowing marketers to take advantage of the technological capabilities of digital, toner-based printing presses to produce unique, personalized pieces for each recipient through a technique called "variable data printing". Marketers can personalize documents by any information contained in their databases, including name, address, demographics, purchase history, and dozens (or even hundreds) of other variables. The result is a printed piece that (ideally) reflects the individual needs and preferences of each recipient, increasing the relevance of the piece and increasing the response rate.

#### Scope

Relationship marketing has also been strongly influenced by reengineering. According to (process) reengineering theory, organizations should be structured according to complete tasks and processes rather than functions. That is, cross-functional teams should be responsible for a whole process, from beginning to end, rather than having the work go from one functional department to another. Traditional marketing is said to use the functional (or 'silo') department approach. The legacy of this can still be seen in the traditional four P's of the marketing mix. Pricing, product management, promotion, and placement. According to Gordon (1999), the marketing mix

approach is too limited to provide a usable framework for assessing and developing customer relationships in many industries and should be replaced by the relationship marketing alternative model where the focus is on customers, relationships and interaction over time, rather than markets and products.

In contrast, relationship marketing is cross-functional marketing. It is organized around processes that involve all aspects of the organization. In fact, some commentators prefer to call relationship marketing "relationship management" in recognition of the fact that it involves much more than that which is normally included in marketing.

#### Approaches

1) Satisfaction - Relationship marketing relies upon the communication and acquisition of consumer requirements solely from existing customers in a mutually beneficial exchange usually involving permission for contact by the customer through an "opt-in" system. With particular relevance to customer satisfaction the relative price and quality of goods and services produced or sold through a company alongside customer service generally determine the amount of sales relative to that of competing companies. Although groups targeted through relationship marketing may be large, accuracy of communication and overall relevancy to the customer remains higher than that of direct marketing, but has less potential for generating new leads than direct marketing and is limited to Viral marketing for the acquisition of further customers.

#### 2) Retention

A key principle of relationship marketing is the retention of customers through varying means and practices to ensure repeated trade from preexisting customers by satisfying requirements above those of competing companies through a mutually beneficial relationship. This technique is now used as a means of counterbalancing new customers

and opportunities with current and existing customers as a means of maximizing profit and counteracting the "leaky bucket theory of business" in which new customers gained in older direct marketing oriented businesses were at the expense of or coincided with the loss of older customers. This process of "churning" is less economically viable than retaining all or the majority of customers using both direct and relationship management as lead generation via new customers requires more investment.

Many companies in competing markets will redirect or allocate large amounts of resources or attention towards customer retention as in markets with increasing competition it may cost 5 times more to attract new customers than it would to retain current customers, as direct or "offensive" marketing requires much more extensive resources to cause defection from competitors. However, it is suggested that because of the extensive classic marketing theories center on means of attracting customers and creating transactions rather than maintaining them, the majority usage of direct marketing used in the past is now gradually being used more alongside relationship marketing as its importance becomes more recognizable.

According to Buchanan and Gilles, the increased profitability associated with customer retention efforts occurs because of several factors that occur once a relationship has been established with a customer.

Reasons of Favourable Marketing / Cost reduction:

- The cost of acquisition occurs only at the beginning of a relationship, so the longer the relationship, the lower the amortized cost.
- Account maintenance costs decline as a percentage of total costs (or as a percentage of revenue).
- Long-term customers tend to be less inclined to switch, and also tend to be less price sensitive. This can result in stable unit sales

volume and increases in sales volume.

- Long-term customers may initiate free word of mouth promotions and referrals.
- Long-term customers are more likely to purchase ancillary products and high margin supplemental products.
- Customers that stay with you tend to be satisfied with the relationship and are less likely to switch to competitors, making it difficult for competitors to enter the market or gain market share.
- Regular customers tend to be less expensive to service because they are familiar with the process, require less "education", and are consistent in their order placement.
- Increased customer retention and loyalty makes the employees' jobs easier and more satisfying. In turn, happy employees feed back into better customer satisfaction in a virtuous circle.

Relationship marketers speak of the "relationship ladder of customer loyalty". It groups types of customers according to their level of loyalty. The ladder's first rung consists of "prospects", that is, people that have not purchased yet but are likely to in the future. This is followed by the successive rungs of "customer", "client", "supporter", "advocate", and "partner". The relationship marketer's objective is to "help" customers get as high up the ladder as possible. This usually involves providing more personalized service and providing service quality that exceeds expectations at each step.

Retention strategies may also include building barriers to customer switching. This can be done by product bundling (combining several products or services into one "package" and offering them at a single price), cross selling (selling related products to current customers), cross promotions (giving discounts or other promotional incentives to purchasers of related products), loyalty programs (giving incentives for frequent purchases), increasing switching costs (adding

termination costs, such as mortgage termination fees), and integrating computer systems of multiple organizations (primarily in industrial marketing). Many relationship marketers use a team-based approach. The rationale is that the more points of contact between the organization and customer, the stronger will be the bond, and the more secure the relationship.

#### Application

Relationship marketing and traditional (or transactional) marketing are not mutually exclusive and there is no need for a conflict between them. A relationship oriented marketer still has choices at the level of practice, according to the situation variables. Most firms blend the two approaches to match their portfolio of products and services. Virtually all products have a service component to them and this service component has been getting larger in recent decades.

#### The six markets model

Christopher, Payne and Ballantyne (1991) from Cranfield University identify six markets which they claim are central to relationship marketing. They are: internal markets, supplier markets, recruitment markets, referral markets, influence markets, and customer markets.

#### 1) Internal marketing

Relationship marketing also stresses what it calls internal marketing, or using a marketing orientation within the organization itself. It is claimed that many of the relationship marketing attributes like collaboration, loyalty and trust determine what "internal customers" say and do. According to this theory, every employee, team, or department in the company is simultaneously a supplier and a customer of services and products. An employee obtains a service at a point in the value chain and then provides a service to another employee further along the value chain. If internal marketing is effective, every employee will both provide and receive exceptional service from and to other employees. It also helps employees understand the significance of their roles and how their roles

relate to others'. If implemented well, it can also encourage every employee to see the process in terms of the customer's perception of value added, and the organization's strategic mission. Further it is claimed that an effective internal marketing program is a prerequisite for effective external marketing efforts.

2) Supplier market A supply market analysis should be undertaken to enable the User information Groups (UIG) to develop a detailed understanding of key trends, major players, and overall market dynamics that could influence the development of the commodity strategy e.g. route to market, pricing strategy.

3) Recruitment markets The primary application of recruitment marketing is job distribution. Posting of jobs through multiple channels, both online and offline, is considered the "distribution" of jobs. Recruiters looking to market their jobs have a very wide choice of options. Recruiters may publish their jobs through Internet job boards, social media and networks, newspaper ads, niche sites, and trade publications. Employment branding is another aspect of overall recruitment marketing. Whereas job distribution and posting sells the job, the overall employment brand sells the company. Recruiters and web marketing specialists are responsible for crafting the overall hiring and employee value statement to the rest of the world.

4) customer markets Make sure that all marketing efforts address these specific needs for the ultimate results in your customer marketing strategy. Defining how you will market products and services to potential customers is then a critical aspect of designing a workable customer marketing strategy. There are many types of customers in a customer market, including loyal customers, customers who shop at a discount, customers who buy things for fun, and those who shop to browse.

5) Referral marketing Referral marketing is developing and implementing a marketing plan to stimulate referrals. Although it may take months



factor can see the effect of cultural marketing, this is often the most effective part of an overall marketing plan and the best use of resources.

Marketing to suppliers is aimed at ensuring a long-term conflict free relationship in which all parties understand each other's needs and exceed each other's expectations. Such a strategy can reduce costs and improve quality.

Stakeholder markets involve a wide range of stakeholders including: government regulators, standards bodies, lobbyists, stockholders, bankers, venture capitalists, financial analysts, stockbrokers, consumer associations, environmental associations, and labor associations.

These activities are typically carried out by the public relations department, but relationship marketers feel that marketing to all six markets is the responsibility of everyone in the organization. Each market may require its own explicit strategies and a separate marketing mix for each.

Live-in Marketing

Live-in Marketing (LIM) is a variant of marketing and advertising in which the target consumer is allowed to sample or use a brands product in a relaxed atmosphere over a longer period of time. Much like product placement in film and television LIM was developed as a means to reach select target demographics in a non-invasive and much less garish manner than traditional advertising.

Premise of Live-in Marketing:

LIM functions around the premise that marketing or advertising agencies go out on behalf of the brand in question and find its target demographic. From that point forward avenues such as sponsorship or direct product placement and sampling are explored. Unlike traditional event marketing, LIM suggests that end-users will sample the product or service in a comfortable and relaxed atmosphere. The idea behind this technique is that the end-user will have as positive as possible an interaction with the given brand thereby leading to word-of-mouth communication

and potential future purchase of the services of traditional event and advertising agencies is shared with LIM. This is a much better value proposition and better long-term source of product promotion. However, the lack of historical data on LIM advertising is still in its infancy and research is required to determine the true extent of this campaign. It is expected that more and more agencies will begin to offer LIM type campaigns. References:

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- 2) [www.yahoo.com](http://www.yahoo.com)
- 3) [www.business.com](http://www.business.com)
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