

## **RELATIONSHIP MARKETING: SALIENT POINTS TO MENTION**

Relationship marketing has been the backbone of B2B marketing for some time. Marketers in this sector have generally had few, often large customers with whom long term relationships have been essential in order to remain in business. The 80/20 principle has applied. The result... they got to know their customers as individuals, very well indeed.

Computing power and specialized software has now developed to the extent whereby consumer marketers can narrowly segment large groups of consumers so that one-to-one marketing is possible.

Relationship marketing seeks to identify, maintain, and increase the yield from one's best customers through long term relationship building. It is premised on the fact that attracting the customers whom we want and converting them is extremely expensive; but that ongoing purchases thereafter from loyal customers are very much more profitable. In part, this is due to the fact that it costs many times the amount to acquire a new customer than to keep an existing one. Relationship marketing moves away from transactional marketing and focuses on maintaining relationships with the inherent repeat purchases over time.

It is a staged process: selecting the "best customers", determining their life time values for the company in question, investing in them (e.g. by offering incentives to open an in-store account), maintaining ongoing dialogue and providing real benefits to keep them loyal, and finally, tracking defectors so that they can be brought back on board.

Examples of this are seen in many areas. The Clicks' clubcard programme is relationship marketing magic at work. Another example is the VW "family" – the Citigolf is an entry level product (teenagers learn to drive in it). Thereafter, there is a car for every stage of one's life - Golf to Jetta to Passat, etc. In short, VW's job is to attract and retain these customers from beginning to end.

Relationship marketing is hugely dependent on the use of data. Demographic, psychographic, behavioral, etc. customer data should be collected and periodically updated (in a customer database) throughout the duration of the relationship.