

SMART

JOURNAL OF BUSINESS MANAGEMENT STUDIES

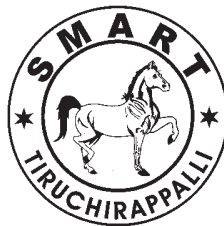
Vol.I

No. 2

July - December 2005

ISSN 0973 - 1598

Dr. M. SELVAM, M.Com., Ph.D.,
Chief Editor



SCIENTIFIC MANAGEMENT AND ADVANCED RESEARCH TRUST
(SMART)

TIRUCHIRAPPALLI (INDIA)

<http://www.geocities.com/smartbard>

CUSTOMER LIFE CYCLE IN RELATIONSHIP MARKETING

Dr.U.Bhojanna

Associate Professor in Management studies, RNSIT, Bangalore.

Abstract

Mushroom growth of organizations after globalization, forced the companies to think beyond business in order to retain the customers. Relationship marketing does not mean a buddy- buddy relationship with the customer. Relationship marketing is the process of maintaining a satisfactory relationship in order to retain them for a long time because with the cost of attracting one customer, company can retain their customers on hand. Understanding where the customer is in the life cycle of RM is important to make decisions to retain them.

Introduction

Relationship marketing can be traced back to 1980. Schneider observes that organizations concentrate on how to attract the customers rather than how to retain them. Hence he insists on the importance of customer retention. This is popularly known as Customer Relationship Marketing (CRM).

Meaning and definition

Customer relationship marketing is the process of attracting, maintaining, and enhancing the relationship with the key customer to do business for a long run. It is not about having a buddy- buddy relationship with customer. It is the art of retaining the customer for a long time to continue business with him. Should company maintain relationship with all customers? If your answer is no, then who is eligible? How to identify those customers? With whom company can build relationship? All these are the complex questions which are to be answered by the organizations well in advance of relationship marketing. All customers are not eligible to build relationship with; you can invest on those who are profitable and whose life time value is high for maintaining relationship. One would not invest money simply to waste; investment in relationship marketing is like sowing a seed today to reap the fruits in future. If

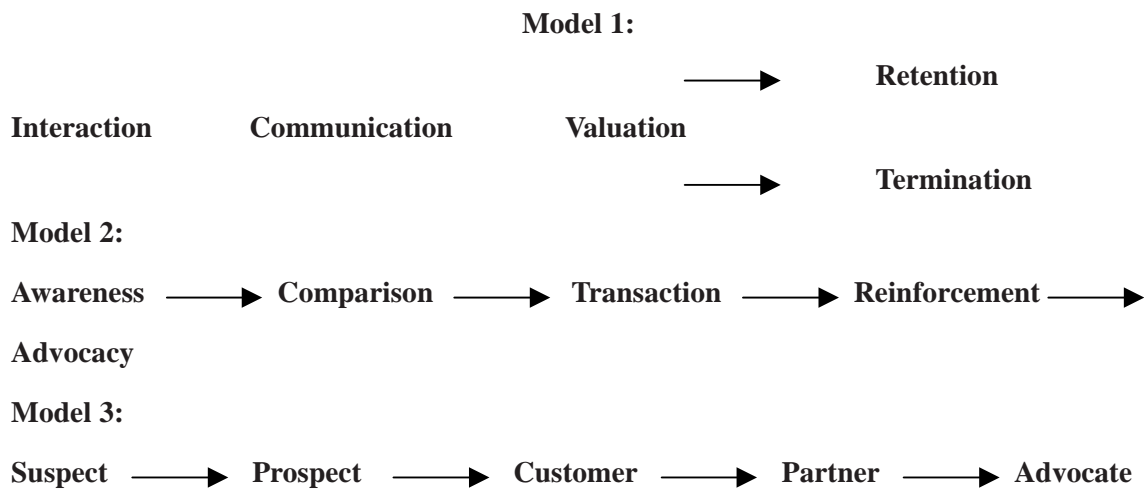
there is no guarantee of fruits, it is better not to sow that seed. Similarly we do not like to invest on those customers who do not buy enough of the organizational products and who are not profitable. Therefore, selecting the right customer for maintaining the relationship is essential.

In olden days, relationship marketing was applicable to industrial markets only, where customers were few. But today addition of internet to the business operations forced the companies to have relationship with the customers of all markets.

Stages of customer development process

Customer development process is the process of developing the potential customer to actual customer to sell the products of the enterprise. It is the preliminary step of relationship management. We have various models of developing customer and the models given below are self explanatory.

Customer development process models given below explain how to develop the potential customer into customer, repetitive customer, loyal customer, partner and advocate. In the first model it explains about the termination or retention after the valuation of the potential customer.



How Johnson & Johnson develop customer

J&J is targeting pregnant women to sell BABY products in some of the countries. J&J is providing all sorts of information to pregnant women in the matter of how to take care of their babies, what type of products they have to use for their babies, what are the consequences if they use the general market products, how mothers should be while they are carrying etc. J&J is trying to maintain the relationship well in advance of their buying to take place. Interaction of the company with the potential customer makes them feel convenient when time comes for purchasing.

Stages of relationship marketing

- Basic marketing: just selling
- Reactive marketing: responding to consumer problems on complaint or request
- Accountable marketing: being accountable to customer
- Proactive marketing: anticipating problems to solve in advance
- Partnership marketing: being with the customer to understand their needs and wants.

Customer life cycle in relationship marketing

Companies need to understand the life cycle of customer in relationship marketing. Customer life cycle means behavior of a customer with the company over a period of time.

Customers begin relationship either to continue or to end. The careful observation and analysis of the interactions of customers with the company would give information in respect of their continuation or ending of relationship. Thus it is highly essential to understand where the customer is in the scheme of the life cycle. By knowing this we can instill confidence in those customers whose interest is declining and we can control the wasting of money on those who are unlikely to continue to do business with the company. Detailed explanation of CLC in RM and each stages of CLC are given in the following paragraphs.

Introduction

In this stage customer is in the introductory stage of life cycle of RM. It means that customer has started doing business either

to continue in future or to end immediately. This can be understood through interactions, positive and negative encounters taking place with the customers. You should design a strategy to make the customer to stay longer. If you do not offer some thing more than what the competitors offer, he will not stay with you. The main strategy in this stage is to **invest** in relationship. Investment can be made to provide competent services, financial benefits, structural benefits etc, and returns on this investment can be seen in growth and maturity stages.

Growth stage

Customer is inclined towards repeat purchasing in this stage. The main strategy of the company is to **hold or retain** the customer. Since the customer is making repeat buying, you can strengthen the relationship by providing reliable services and products. This is the right stage to convert the repeat purchasers into loyal customers. This strategy will help you to hold on to the customers. Maximum retention is the main strategy at this stage.

Maturity stage

In this stage, company strengthens the relationship with the customer. Efforts should be made to convert loyal customers into partners and advocates and through them you can try to build good word of mouth advertisement in the market. Word of mouth is highly helpful to create brand image and consequently resulting in attracting more number of customers. Company should effectively make use of their own customers to create additional sales and to attract additional customers with minimum efforts and cost.

Declining stage

All relationships need not follow all the stages of life cycle. Some may end early and some may prolong for a long time. This depends

on the company and its strategy in retaining the customer. At this stage, customers start ending relationship by consuming less and making infrequent purchases. If there is any possibility of retaining them, you can instil confidence to prevent decline of relationships.

Ten tips for successful relationship marketing

1. Unless customers get some thing extra, they will not come to your company. Therefore, you have to offer financial, social and structural benefits to key customers.
2. Customer is always right is the strategy of the past but today you may not consider all customers to be right. Those whose life time value is more is the right customer for relationship marketing. It does not mean to neglect small customers. You should see that there are returns on investments made in relationship marketing; this is possible only with the customers of high LTV.
3. You should recognize the vulnerability of the company in the market. If you are not proactive in satisfying the changing needs and wants of the customers more effectively and efficiently, others will take the chance.
4. You should be more proactive in solving the problems of customers. Proactive means anticipating the problems and ready to offer solutions in advance of their request.
5. You should be like an obedient student in listening to customers in order to encourage them to speak more about their needs and problems. Volunteer questions if they are not speaking more about their requirements.
6. Keep in continuous touch with the customers.

7. You should be more helpful even when there is no immediate profit from the customers. In dealing with customers, it is essential to keep one step ahead of customers.
8. Do not make exaggerated promises to your customers. Promises made should be delivered without fail. The objective of RM is not just attracting customers but to retain and maintain them for a long time.
9. Some consumer expectations are very high and they are very difficult to satisfy. This problem can be overcome by educating the customer about the technology, market, product and competitor's products and services. Consumer education makes them to think in practical terms and avoid expecting impossible things from the company.
10. Empower your internal customer through proper training and development in order to provide better services and products and treat internal customer on par with external customer. Internal customer's proactiveness in responding, knowledge in educating, skills in clarifying doubts, honesty in making promises, promptness in delivering promises etc. play a significant role in retaining the customer for a long time.

Conclusion:

Companies should recognize the right customers (whose life time value is more) to maintain relationship. All customers are not eligible for such investment in relationship.

Understanding customer life cycle in relationship marketing is important because through which one can determine the strategies to retain or terminate or instilling confidence to make him to continue with the company.

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