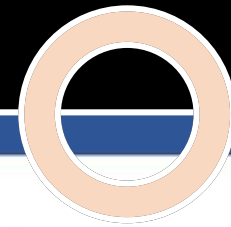# Relationship Marketing for IT/ITes

Syed Ferhat Anwar

- Peter Ferdinand Drucker, the greatest management thinker of the last century, came up with the famous quotation:

- "The purpose of a business is to create a customer and grow that customer."

- "Because the purpose of business is to create a customer, the business enterprise has two--and only two--basic functions: marketing and innovation. Marketing and innovation produce results; all the rest are costs. Marketing is the distinguishing, unique function of the business."

Source

- Content Marketing By Michael Brenner, Google Books, 2015.

- CRM at the Speed of Light By Paul Greenberg, McGraw Hill, 2010.

- Marketing Strategy based on First Principles and data Analytics By Robert W Palmatier and Shrihari Sridhar, Bloomberg Publishing, 2021.

- On Customer Lifetime Value By Martin J Crowder, David J Hand and Wojtek J Krzanowski, Research Gate, 2022.

- Organizational Data Mining: Leveraging Enterprise Data Resources for Optimal Performance By Watson, H.J., D.L. Goodhue, and B.H Wixom, Cambridge, 2020.

- The Definitive Guide to Customer Relationship Management By V. Kumar, Richard Hammond, Herb Sorensen & Michael R. Solomon, Press Delivers Collections, 2012.

- The CRM Handbook: A Business Guide to Customer Relationship Management By Jill Dyche, Addison Wesley, 2004.

- Total Relationship Marketing, Evert Gummesson, Elsevier, 2008.

Sec 1. Relationship Marketing

- **Relationship marketing** is "the process of identifying, developing, maintaining, and terminating relational exchanges with the purpose of enhancing performance" (Palmatier 2008, p. 3)

- Three common features of relationship marketing (Gronroos 1997; Sheth and Parvatiyar 2000):
  - Relationships are dynamic, and therefore so must relationship marketing be
  - The scope of relationships is broad, as is the scope of relationship marketing
  - Relationship marketing must generate benefits for both parties to the relationship

- Relationship marketing overlaps, but is also distinct from other marketing domains:
  - Branding: Products as focal unit of analysis
  - Promotional marketing: Short-term, transactional orientation
  - Services marketing, business-to-business marketing, and channel marketing: Specific focus on improving performance in unique contexts with distinct features (e.g., intangible services, exchanges between firms, channel members)

amazon

- If you look at the following photographs they resemble a dog, rabbit, and cat.
- But when you zoom on them individually, reality surfaces.

- ***That is how life is, until you zoom on people's lives, you will never understand the intricacies of people.***
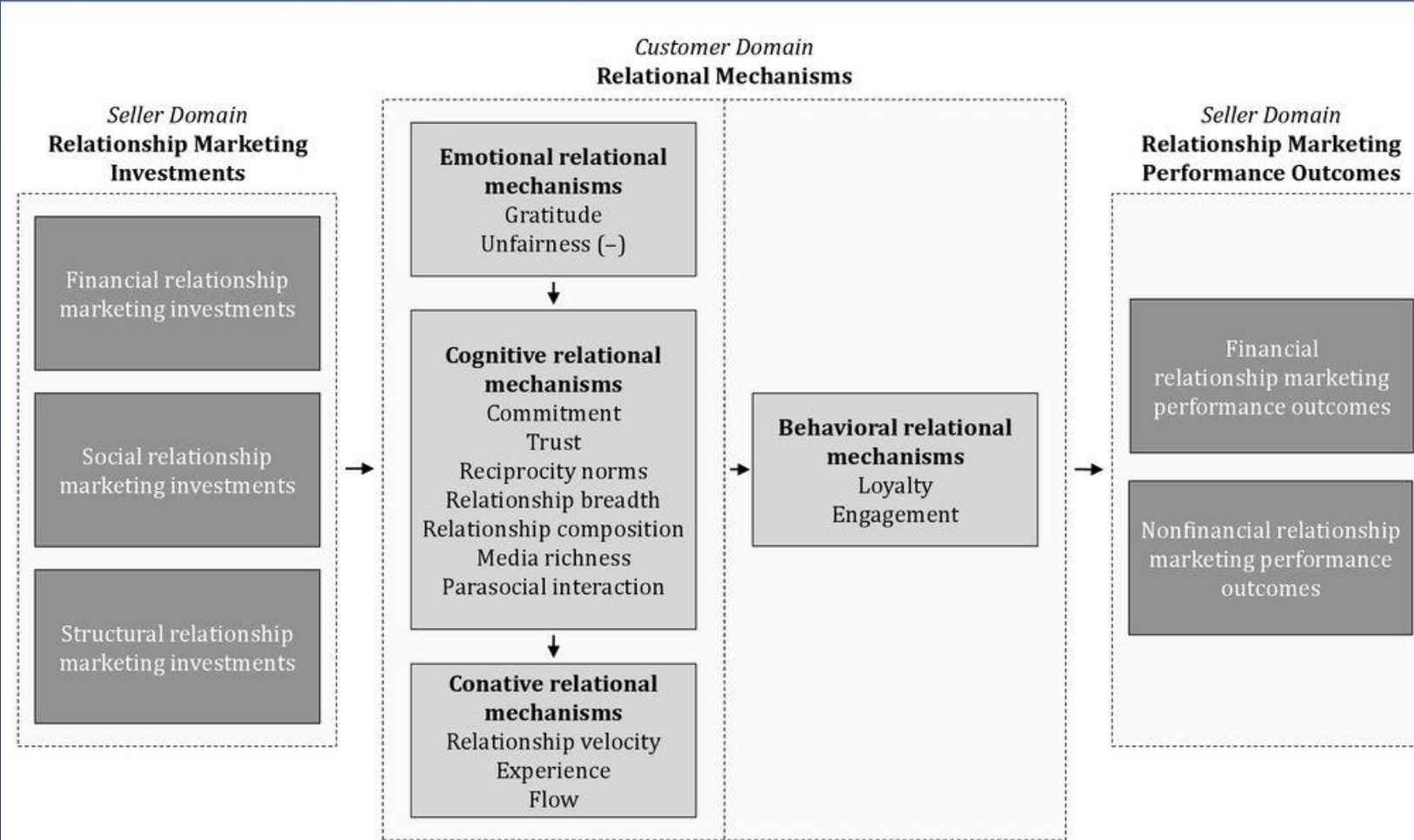
-

Relationship Marketing as a Source of Sustainable Competitive Advantage

- To thrive in the long run, companies thus must develop barriers to competitive attacks, in the form of **sustainable competitive advantages**
- A sustainable competitive advantage meets **three criteria** (Barney and Hesterly 2012):
  - The firm's customers care about it
  - The firm is relatively better than its competitors in providing it
  - It is difficult for competitors to duplicate or substitute for, even if they invest substantially in trying to do so
- **Three main sources** of sustainable competitive advantages (Palmatier and Sridhar 2017):
  - Brand-based sustainable competitive advantage
  - Offering-based sustainable competitive advantage
  - Relationship-based sustainable competitive advantage
- Together, brand-, offering-, and relationship-based equities synergistically constitute a company's overall **customer equity**, or "the total of the discounted lifetime values summed over all of the firm's current and potential customers" (Rust, Lemon, and Zeithaml 2004, p. 110)

Uber

A Framework of Relationship Marketing's Impact on Seller Performance Outcomes

Customer Domain
Relational Mechanisms

Seller Domain
Relationship Marketing Investments

- Financial relationship marketing investments
- Social relationship marketing investments
- Structural relationship marketing investments

Emotional relational mechanisms
Gratitude
Unfairness (–)

Cognitive relational mechanisms
Commitment
Trust
Reciprocity norms
Relationship breadth
Relationship composition
Media richness
Parasocial interaction

Conative relational mechanisms
Relationship velocity
Experience
Flow

Behavioral relational mechanisms
Loyalty
Engagement

Seller Domain
Relationship Marketing Performance Outcomes

- Financial relationship marketing performance outcomes
- Nonfinancial relationship marketing performance outcomes

Relationship Marketing Strategies

- Reduce the rate of defection
- Increase longevity
- Enhance "share of wallet"
- Terminate low-profit customers
- Focus more effort on high-profit customers
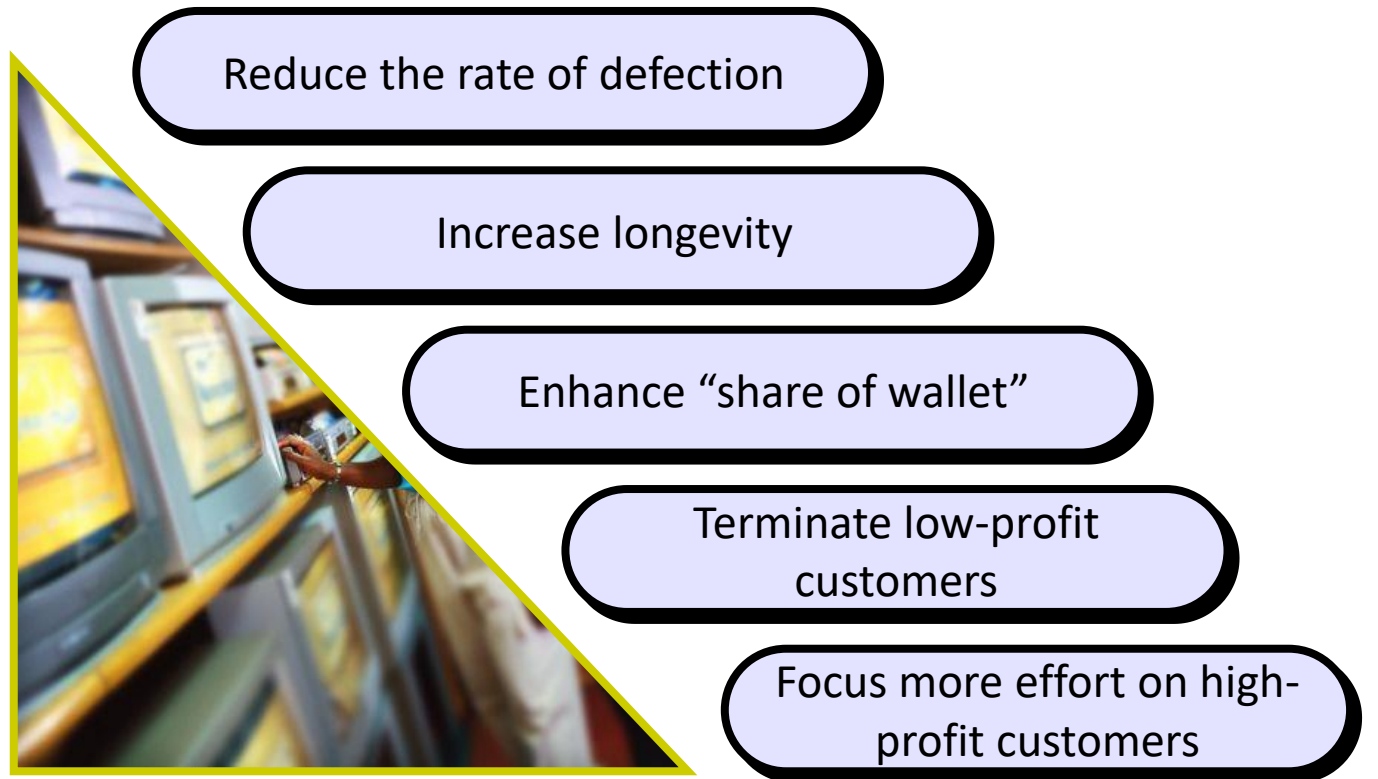
Customer Development Process
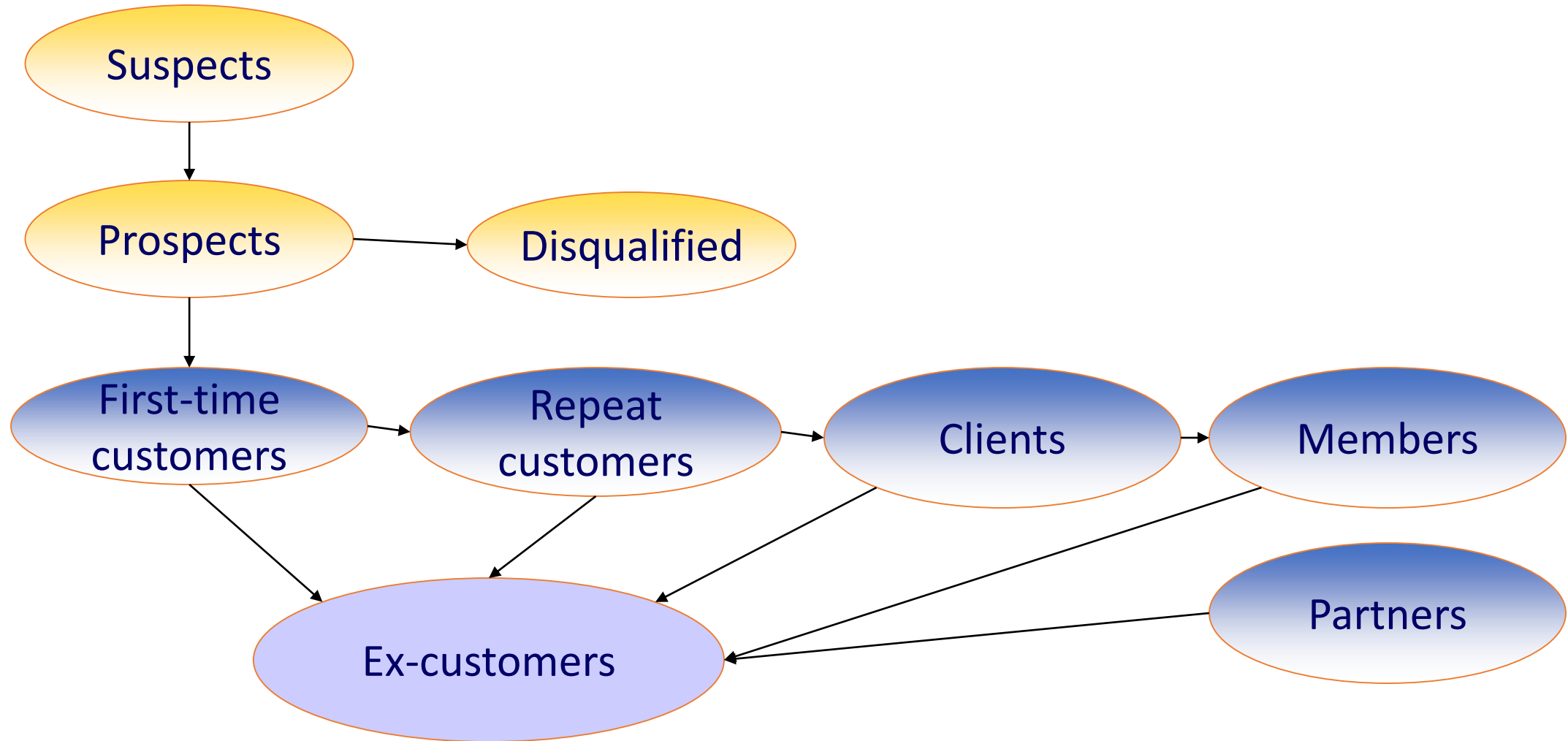
Sec 2. Customer Relationship Management (CRM)

Understanding CRM

- CRM is a **business philosophy** based on upon individual customers
- and customised products and services supported by **open lines**
- **of communication and feedback** from the participating firms that
- **mutually benefit both buying and selling organisations**.

- The buying and selling firms enter into a **"learning relationship"**,
- with the customer being willing to collaborate with the seller and
- grow as a **loyal customer**. In return,, the seller works to **maximize**
- **the value of the relationship for the customer's benefit**.

- In short, CRM provides selling organisations with the platform
- to obtain a **competitive advantage** by embracing customer needs
- and building **value-driven long-term relationships**.

Database: Key Concept

Customer Database

Database Marketing

Mailing List

Business Database

Data Warehouse

Data Mining

CRM Systems Flow

Functions of CRM

Value Creation Process

Management Decision Process

Customer sensitivity

- Diversity
- Information
- Differentiated offering

Technology delivery process
- R&D
- Technology integration
- Efficiency, effectiveness learning

Product delivery process
- Concept to launch
- Manufacturing process

Customer delivery process
- Supply chain
- Distribution
- Infomediation (distribution of information)

Value-based Strategies
- Pricing
- Communication

(Sharma et. al., 2001)

Models of CRM

**The Brock and Barcklay (1999) model of selling
partner relationship effectiveness**
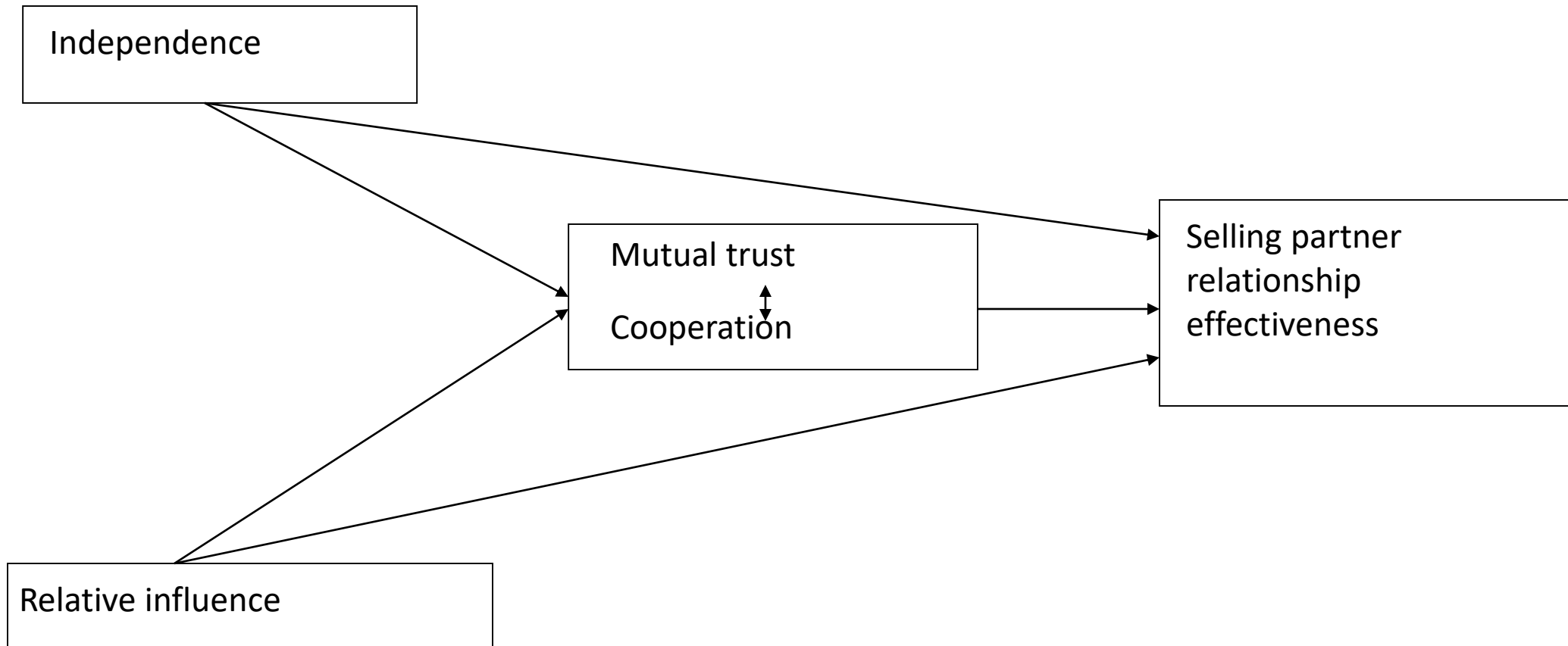
- **Online relationships** are relational exchanges that are mediated by technology (e.g., Internet, computer) and take place in a non–face-to-face (individual/firm customer-to-technology) environment.

amazon

- **Three key drivers** of relationship performance based on three theories:
  - Flow *(flow theory)*
  - Media richness *(media richness theory)*
  - Parasocial interaction *(parasocial interaction theory)*

Seller Firm

Relationship marketing investments

Internet Technology as (Partial) Relationship Mediator

Individual Customer

Interpersonal Relationship Quality

Commitment
Trust
Gratitude
Reciprocity norms

Online Relationship

Flow
Media richness
Parasocial interaction

Dimensions of digital development and the effects on society, the production sector and the State

Risks	Society	Production sector	State
Risks Greater inequality Reduced competitiveness Economic concentration Institutional crisis Geopolitical polarization	**Society** New models of communication and interaction New models of consumption	**Production sector** New management models New business models New production models Industrial restructuring	**State** Digital government Citizen participation
Telecommunications and information technology pillar Digital infrastructure Telecommunications services Software and systems Information technology services Multifunctional devices	Network and service coverage High data transmission speeds and low latency Access to information technology services and software Affordability of devices and services		
Digital economy Digital goods and services Applications and digital platforms: marketplaces, social networks, video streaming Digital content and media Sharing economy	Information and knowledge Online goods and services Access to public services Consumption on demand and customization Data privacy and security New jobs, new skills	Innovation and entrepreneurship Market access Efficiency in management, marketing and distribution Data as a strategic asset Cybersecurity and data privacy	Digital government Digital innovation in the State Digital tax efficiency Digital citizenship and citizen participation Open data and transparency Cybersecurity and data privacy
The digitalized economy E-business E-commerce Industry 4.0 Agricultural technology (agritech), financial technology (fintech), automotive technology (autotech), etc. The smart economy	Smart products Products as services Informed and customized consumption Premium on responsible consumption Data privacy and security New jobs, new skills	Industrial reconfiguration Automation and robotics Sophisticated production Digital transformation of production (data-based productivity) Cybersecurity and data privacy	State digital innovation Governance of public services (education, health, justice, security) Governance for digital transformation (cybersecurity, competition, tax, trade, etc.)
	Welfare and sustainability	**Productivity and sustainability**	**Efficiency, effectiveness and sustainability**

Source: Economic Commission for Latin America and the Caribbean (ECLAC).

Guidelines for Managing Relationship Marketing Dynamics

- Customer–seller relationships in the digital age take place in a data-rich environment
- Relationship marketers can use a plethora of data sources to assess empirically where customers currently stand in their relationship with the firm and how the relationship is likely to evolve and then adapt relationship marketing strategies accordingly
- Effectively combining more traditional (1) market research and (2) customer relationship management (CRM) database analyses with (3) big data analytics represents a powerful means to generate deep customer insights (Wharton 2014)

If relationship marketers can effectively integrate these three sources of information, the potential for mutually beneficial customer–seller relationships increases substantially

Diagnosing Relationship Change Through Big Data Analytics

- **Big data analytics** may uncover what customers are feeling and doing, above and beyond what the seller knows from direct interactions

- Many firms gather psychographic customer information through **social media channels**, because customers' personal profiles on Facebook or other sites reveal valuable information about their living circumstances, lifestyles, and major life events (e.g., graduating from college, getting married, having kids)

- Customers interact with a company through its **website or mobile applications**, enabling companies to track customers' omnichannel usage behavior (e.g., frequency of usage, duration of usage, features used) and overall relationship engagement

- Social media and review sites also serve as important platforms for customers to talk to or about a firm, such that relationship marketing managers can analyze customers' seller-related conversations on the Internet through **sentiment analysis**

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LEXALYTICS

Relationship Marketing Strategies for *Building* Relationships
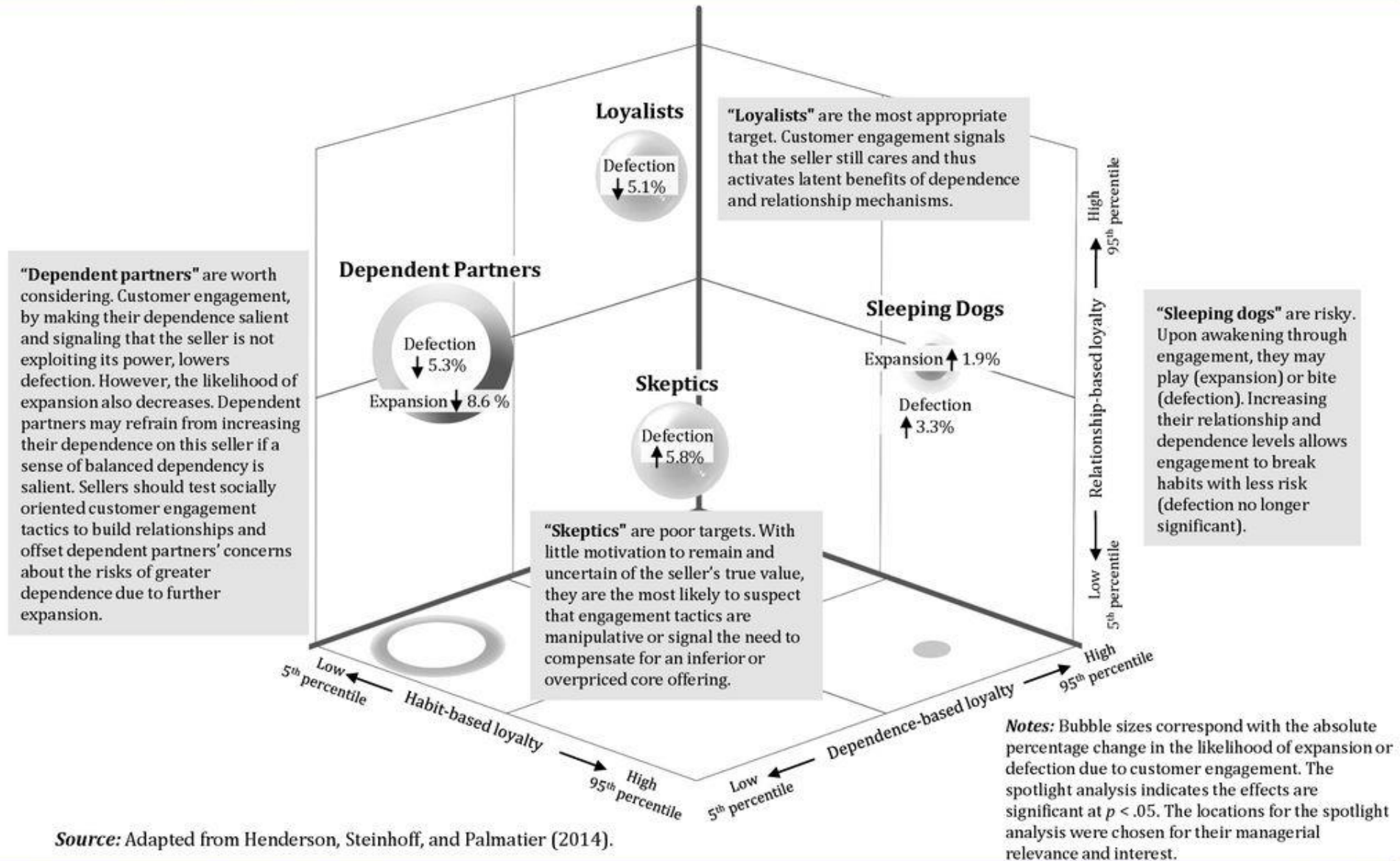
and

Relationship Marketing Strategies for *Maintaining* Relationships

- In online environments (e.g., e-commerce), exchange partners are moving away from purely transactional exchanges and toward more relational exchanges

- The psychological mechanisms that underlie relationship development are similar in offline and online settings (Zhu, Chen, and Algesheimer 2012)

- Yet online and offline settings also differ, due to leaner communication, heightened anonymity, weaker reciprocity norms, and less social interconnectedness encountered in online relational exchanges (Kozlenkova et al. 2017)

- Recent research on how online relationships form on Taobao.com offers three notable, practible insights (Kozlenkova et al. 2017):

  (1) Anonymity increases the effectiveness of risk-reducing signals, which can encourage relationships, even among dissimilar partners, to develop quickly

  (2) Online customers often develop extensive relationship portfolios, consisting of more unilateral than reciprocal relationships as these are easy to form

  (3) Reciprocal online relationships, relative to unilateral ones, strongly increase psychological commitment by customers and thus their purchase behaviors
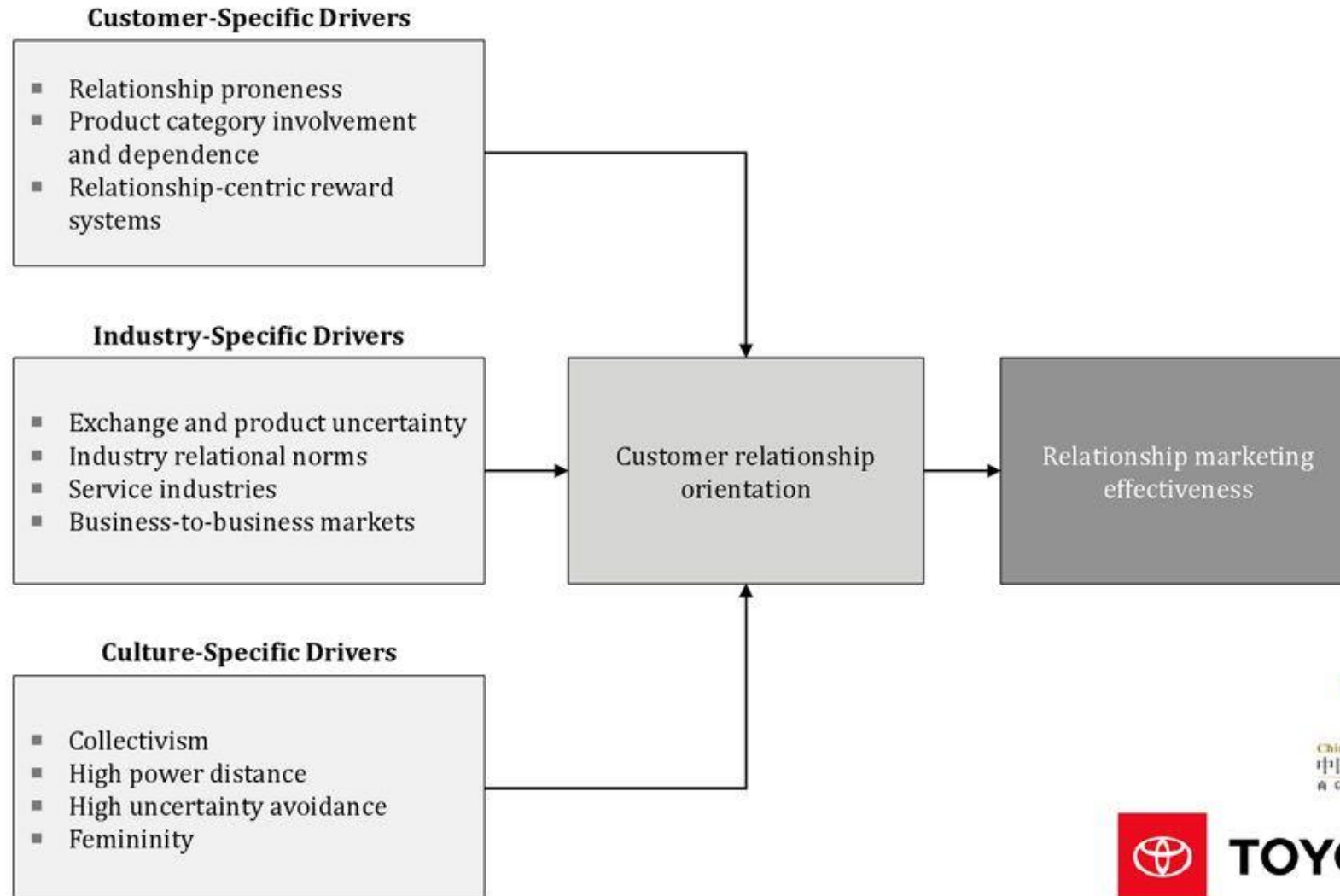
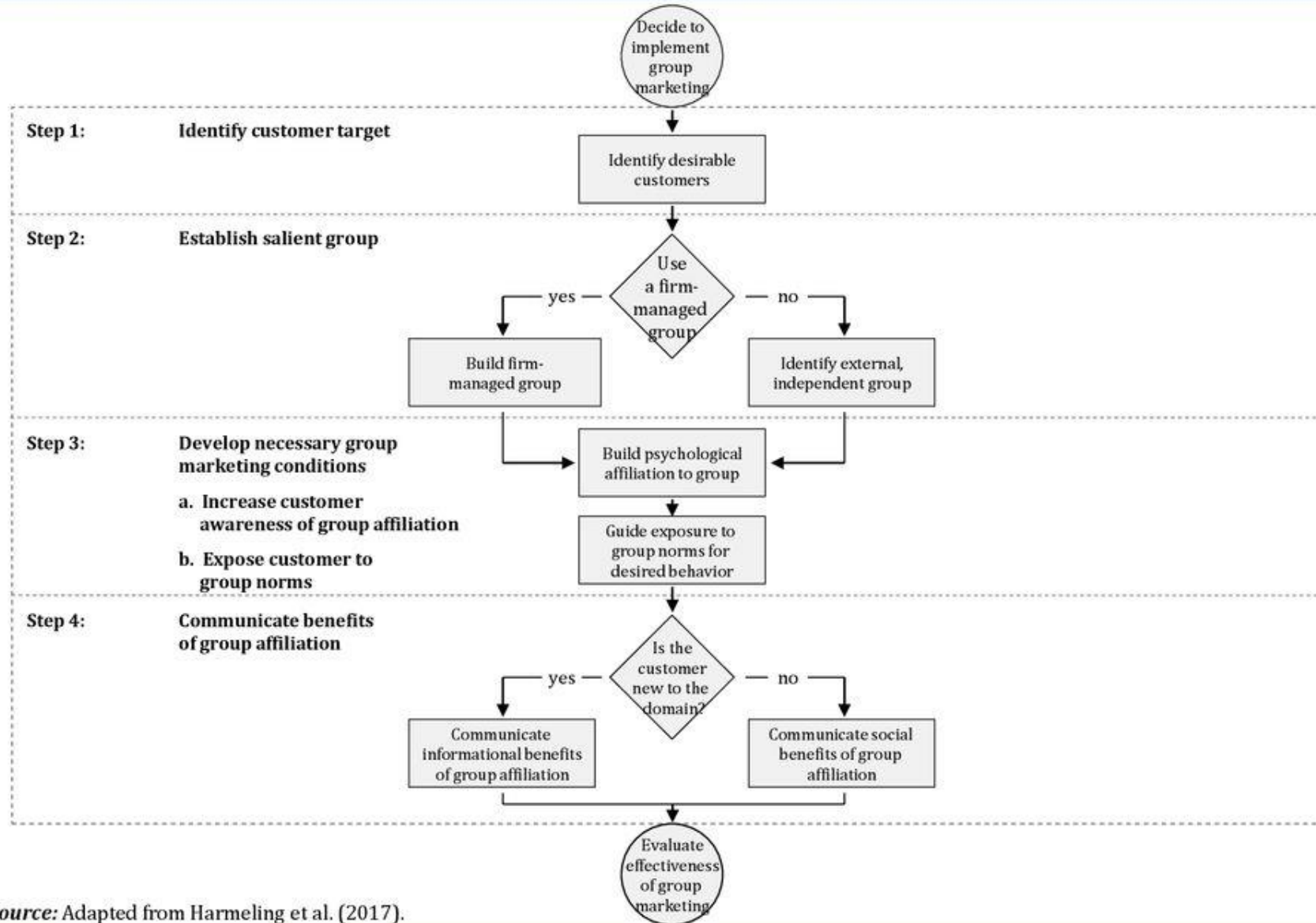# Segmenting and Targeting Customers According to Their Intrinsic Loyalty Profiles

Loyalists

Defection ↓ 5.1%

"Loyalists" are the most appropriate target. Customer engagement signals that the seller still cares and thus activates latent benefits of dependence and relationship mechanisms.

Dependent Partners

Defection ↓ 5.3%

Expansion ↓ 8.6 %

"Dependent partners" are worth considering. Customer engagement, by making their dependence salient and signaling that the seller is not exploiting its power, lowers defection. However, the likelihood of expansion also decreases. Dependent partners may refrain from increasing their dependence on this seller if a sense of balanced dependency is salient. Sellers should test socially oriented customer engagement tactics to build relationships and offset dependent partners' concerns about the risks of greater dependence due to further expansion.

Sleeping Dogs

Expansion ↑ 1.9%

Defection ↑ 3.3%

"Sleeping dogs" are risky. Upon awakening through engagement, they may play (expansion) or bite (defection). Increasing their relationship and dependence levels allows engagement to break habits with less risk (defection no longer significant).

Skeptics

Defection ↑ 5.8%

"Skeptics" are poor targets. With little motivation to remain and uncertain of the seller's true value, they are the most likely to suspect that engagement tactics are manipulative or signal the need to compensate for an inferior or overpriced core offering.

High 95th percentile — Relationship-based loyalty — Low 5th percentile

Low 5th percentile ← Habit-based loyalty → High 95th percentile

Low 5th percentile ← Dependence-based loyalty → High 95th percentile

Notes: Bubble sizes correspond with the absolute percentage change in the likelihood of expansion or defection due to customer engagement. The spotlight analysis indicates the effects are significant at $p < .05$. The locations for the spotlight analysis were chosen for their managerial relevance and interest.

Source: Adapted from Henderson, Steinhoff, and Palmatier (2014).

Step 1:   **Identify customer target**

Step 2:   **Establish salient group**

Step 3:   **Develop necessary group marketing conditions**

     a.   **Increase customer awareness of group affiliation**

     b.   **Expose customer to group norms**

Step 4:   **Communicate benefits of group affiliation**

Flowchart elements:
- Decide to implement group marketing
- Identify desirable customers
- Use a firm-managed group? → yes: Build firm-managed group / no: Identify external, independent group
- Build psychological affiliation to group
- Guide exposure to group norms for desired behavior
- Is the customer new to the domain? → yes: Communicate informational benefits of group affiliation / no: Communicate social benefits of group affiliation
- Evaluate effectiveness of group marketing

Source: Adapted from Harmeling et al. (2017).

Product: goods and services
Price
Promotion: personal selling, advertising, sales promotion
Place: distribution

Experiences
Lifestyles
Dreams
Events
Storytelling
Information

Scientifc research
education

VALUE PROPOSITION
Supplier

Customer
VALUE ACTUALIZATION

Call centers
Telemarketing
Email
Internet
Mobile phones
Text messaging

Public relations, PR
Branding
Sponsoring

Political influencing
Lobbying
Public opinion

Sec 3. Customer Lifetime Value (CLV)

The effects of digitalization on sustainability

- Dematerialization
- Disintermediation
- Resource management optimization in manufacturing, logistics
- Conscious consumption

-15%

Global carbon emissions in 2030

2015

3.6% of global energy consumption

1.4% of CO_2 emissions

49.8 million tons of electronic waste

- Energy consumption
- Polluting hardware production processes
- Devices with short replacement cycles

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of B. Ekholm and J. Rockström, "Digital technology can cut global emissions by 15%. Here's how", Cologny, World Economic Forum (WEF), 2019 [online] https://www.weforum.org/agenda/2019/01/why-digitalization-is-the-key-to-exponential-climate-action/; J. Malmodin and D. Lunden, "The energy and carbon footprint of the global ICT and E&M sectors 2010–2015", Sustainability, vol. 10, No. 9, Basel, Multidisciplinary Digital Publishing Institute (MDPI), 2018.

Applications of sectoral 5G networks depending on the levels of latency required
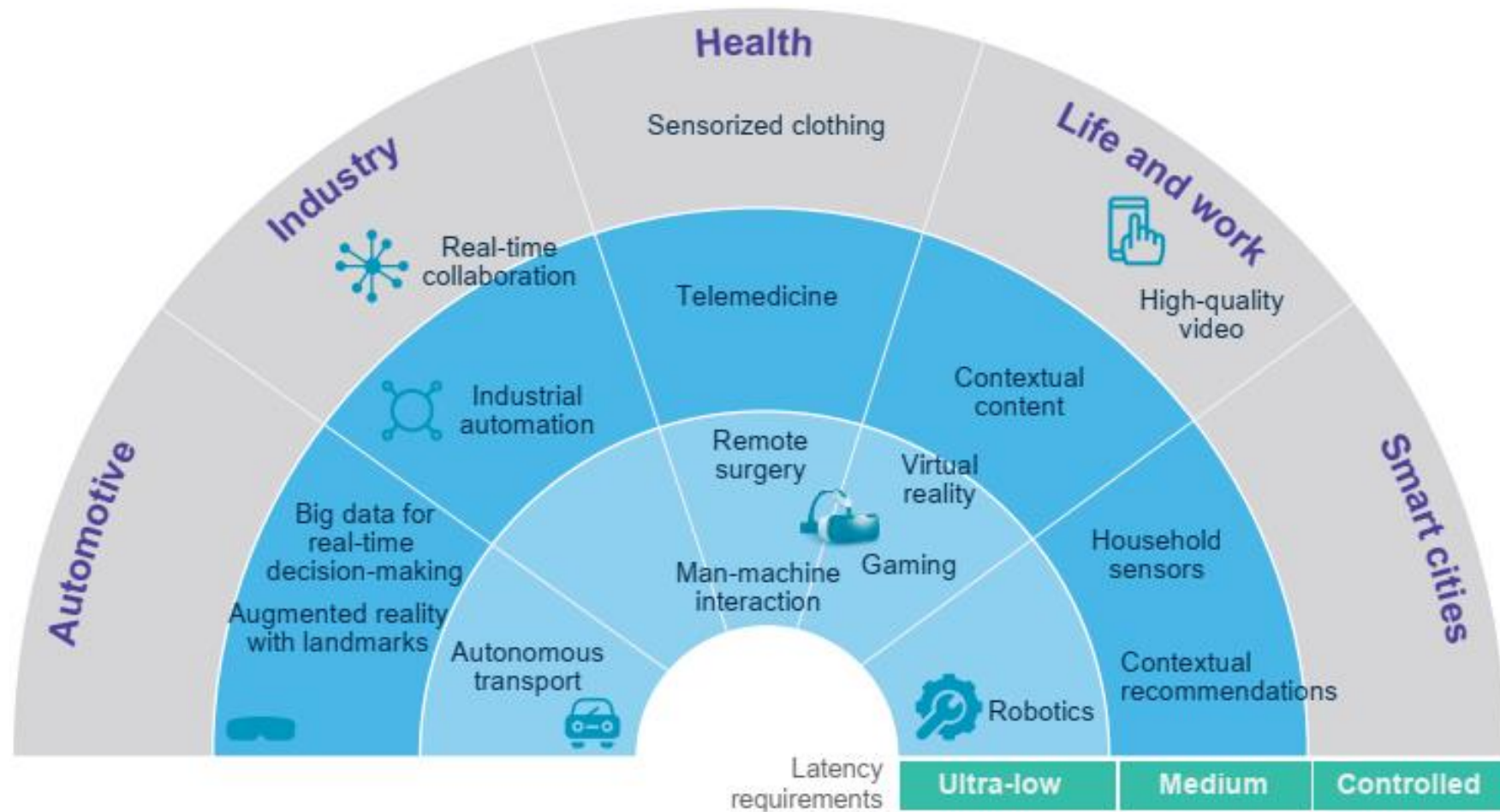
Source: Detecon International, "5G campus networks: an industry survey", Cologne, 2019 [online] https://www.detecon.com/drupal/sites/default/files/2019-10/kor%20190613_5G_Market_Survey_final_0.pdf.

Digital transformation of the production chain

Production / processing
- Process automation
- Plant digitalization
- Input/output monitoring
- Predictive analysis (demand, production capacity)
- Business-to-business platforms
- Component printing (replacement of steel)
- Traceability of the renewable origin of electricity generation
- Compliance with regulatory aspects of sustainability

Resource exploitation
- Geolocation (drones, machinery and other assets)
- Meteorological information systems (Internet of things)
- Performance monitoring (Internet of things or drones)
- Smart management (irrigation, fertilization, machinery)
- Predictive maintenance (Internet of things, big data, artificial intelligence)

Innovation and design
- Fast prototyping (3D)
- Business-to-consumer platforms for product design cooperation

Internet of things
Artificial intelligence
Digital twinning
Robotics
Blockchain
3D printing

Electric vehicles
Internet of things
Artificial intelligence
Digital twinning
Blockchain
5G

Software design
Digital twinning
3D printing
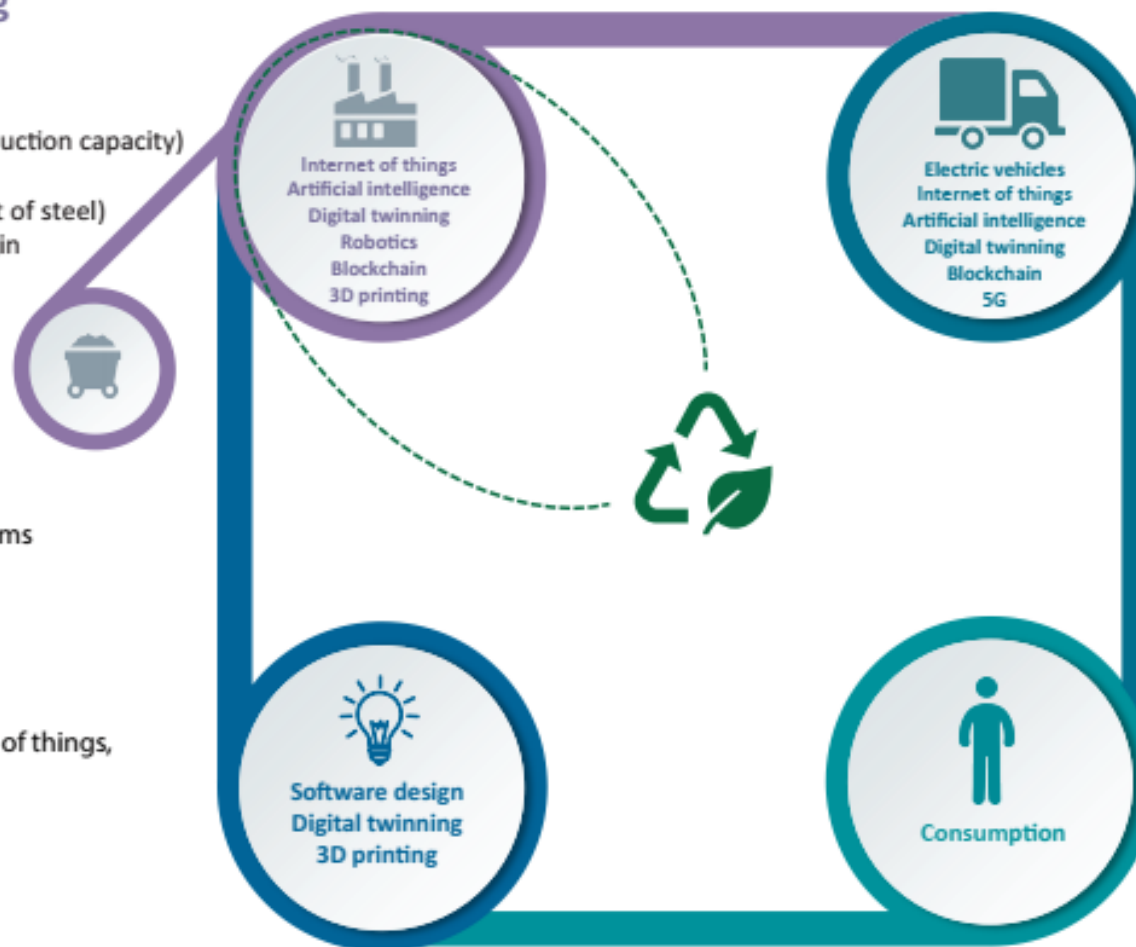
Consumption

Distribution
- Electric vehicles
- Geolocation
- Product traceability
- Smart inventory management
- Digital logistics solutions (route optimization, fleet management, cargo monitoring)
- E-commerce platforms or online channels

Consumption
- Digital goods
- B2C platforms
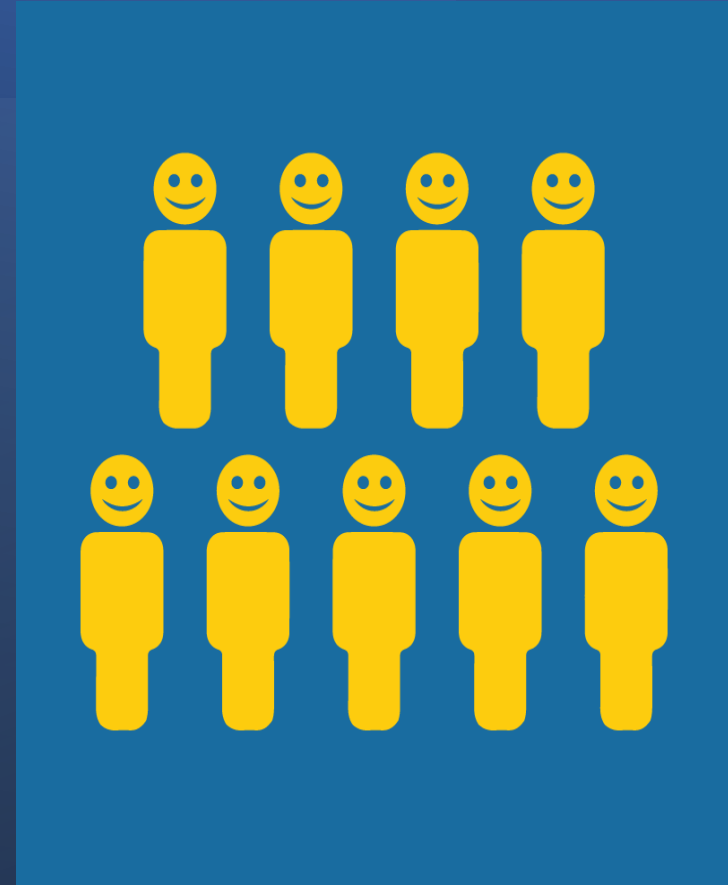- Product-as-a-service
- Customization of goods and services

Acquiring new customers

Retaining existing customers and increasing CLV
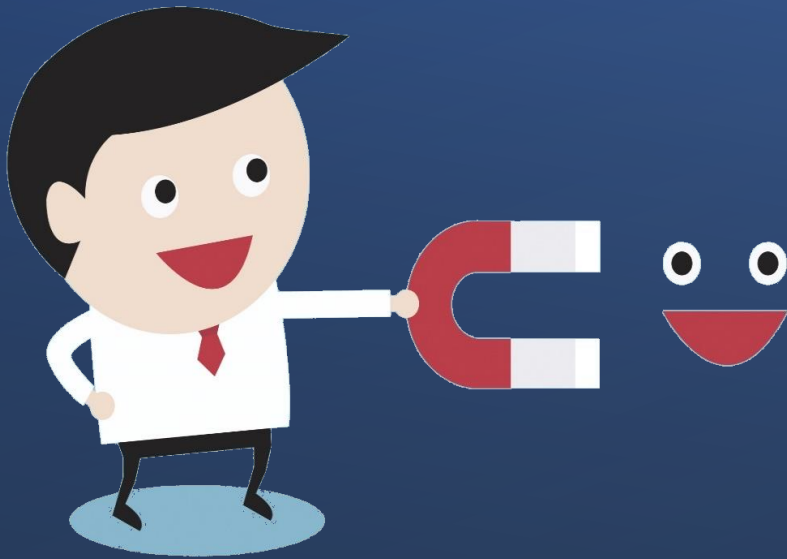
More customers = More Sales = More Revenue = More Profits = Good times ahead

Old wisdom that it's cheaper to keep a customer than to find a new one

The Unified / Single Customer View

- Single customer view is an aggregated, consistent and holistic representation of the data

- A single customer view gives you the ability to track customers and their communications across every channel

Strong Interactions Between Online & Offline Channels

- Marriage of offline and online channels help brands to take into account all consumer touch points
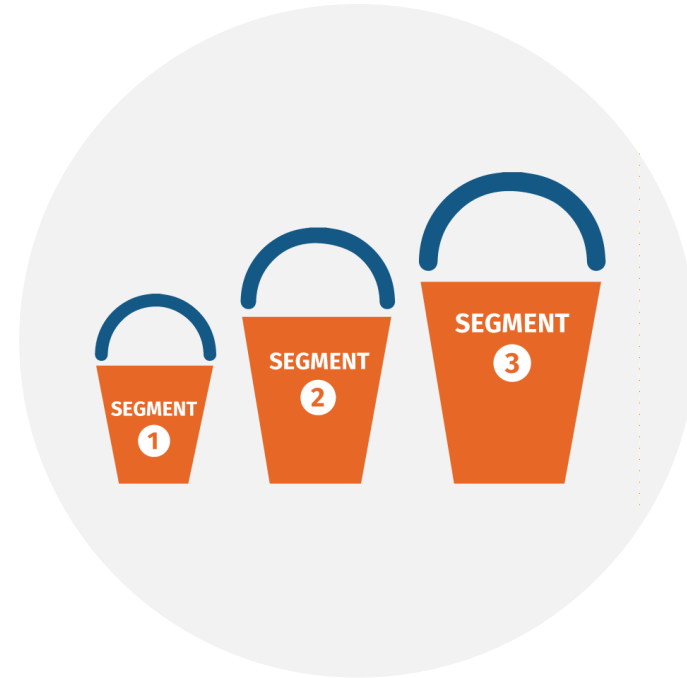
Analyzing the data to get customer level insights

Helps in understanding

- Buying behavior
- Buying preferences and
- Purchasing power

Create right segments

Segmentation is the process of segregating your users (customers) into groups based on behavior, characteristics and/ or needs.

Create right content for the right segments

- Segments should drive your content marketing strategy
- Personalized marketing and contextual remarketing prove to be the two most effective techniques of retaining your customers

Executing the campaigns across channels

Deliver Personalised Experience
- Right message
- Right person
- Right channel
- Right time

Modern Marketing Demand

Right Person   **Right Content**   **Right Time**   **Right Channel**

Customer Experience
Modern Marketers' Path To Future

"In business, the idea of measuring what you are doing, picking the measurements that count like customer satisfaction and performance... you thrive on that."
— Bill Gates

"You've got to start with the customer experience and work back toward the technology, not the other way around." — Steve Jobs

Questions Please