

FROM TRANSACTION MARKETING TO RELATIONSHIP MARKETING A NEW PERSPECTIVE

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Abstract: Relationships do not function by themselves. It has been widely accepted as an important determinant of long-term business success and is believed to be especially well suited for services because of the personal contact between customers and service providers. To the seller a market is a collection of buyers and potential buyers some of whom can be attracted in to exchanges by tempting offers. The key to success in transaction marketing now lies with concentrating on and retaining existing customers. It can be describes that transaction marketing not only sells the products or services to the customers but also embracing them firmly at the centre. Customers are the judges of whatever products or services delivered to them. Thus, the marketers need to retain them and at the same time attracting the new ones. Basically there are some strategies that the sellers will do in extending their relationship with their precious and valued customers. Some of the examples are providing loyalty card, reward and privilege card, after sales service, sending updated information and messages through the Internet and even sending birthday cards. As markets mature, customer retention will become even more important. This is where marketing, customer service, quality programmes and operations take place and must be well co-ordinated. Relationship marketing has it all for bringing them together. It is certainly a new perspective which are more market-oriented and less manipulative and where the customer indeed is the focal point as suggested by the marketing concept. A firm that gives promises may attract new customers and initially build relationships. However, if promises are fragile and broken, the evolving relationship cannot be maintained and enhanced. Fulfilling promises is equally important as means of achieving customer satisfaction and retention. Marketers may say that it is a long-term investment to retain the customers in order for them to retain themselves in the marketplace.

Keywords: Relationship marketing, Customers, Satisfaction, Existing, retain, Business people

INTRODUCTION

New approaches have been emerging in marketing research. The globalization of business and the evolving recognition of the importance of customer retention and market economies and of customer relationship economics, among other trends, reinforce the change in mainstream marketing. Gronroos (1994) [1]. Relationship marketing is a special bond between the customers and the business people. In fact, it is an important determinant of long-term business success although some customers do not realize it. The magic words that denote relationship marketing are attract, concentrate and retain.

Transaction marketing that had been practiced a long time ago was merely on individual sale and now in the new millennium, the organizations feel that the relationship must be prolonged. According to Payne (1994) [2], “ the basis of the relationship marketing philosophy is that the attraction of new customers is merely the first step in the marketing process. The key is retaining that customer. Marketing should not begin and end with clinching the deal-it must also concern itself with keeping and improving, the relationship with the customer.”

He also describes the relationship marketing approach views customer loyalty as a ladder showing the progression of relationship customers can have with an organization (see Figure 1). Any person can be the prospect and it is a tough job to convert the prospect into a customer. The customer can become a client after repeat business has been generated. Then, the client will turn into a supporter that supports in a passive manner. At the next level, an advocate is someone who is so pleased with the services or products they are receiving that they actively recommend them to others. A partner is at the top of the ladder where a very close tie is developed between a supplier and the customer.

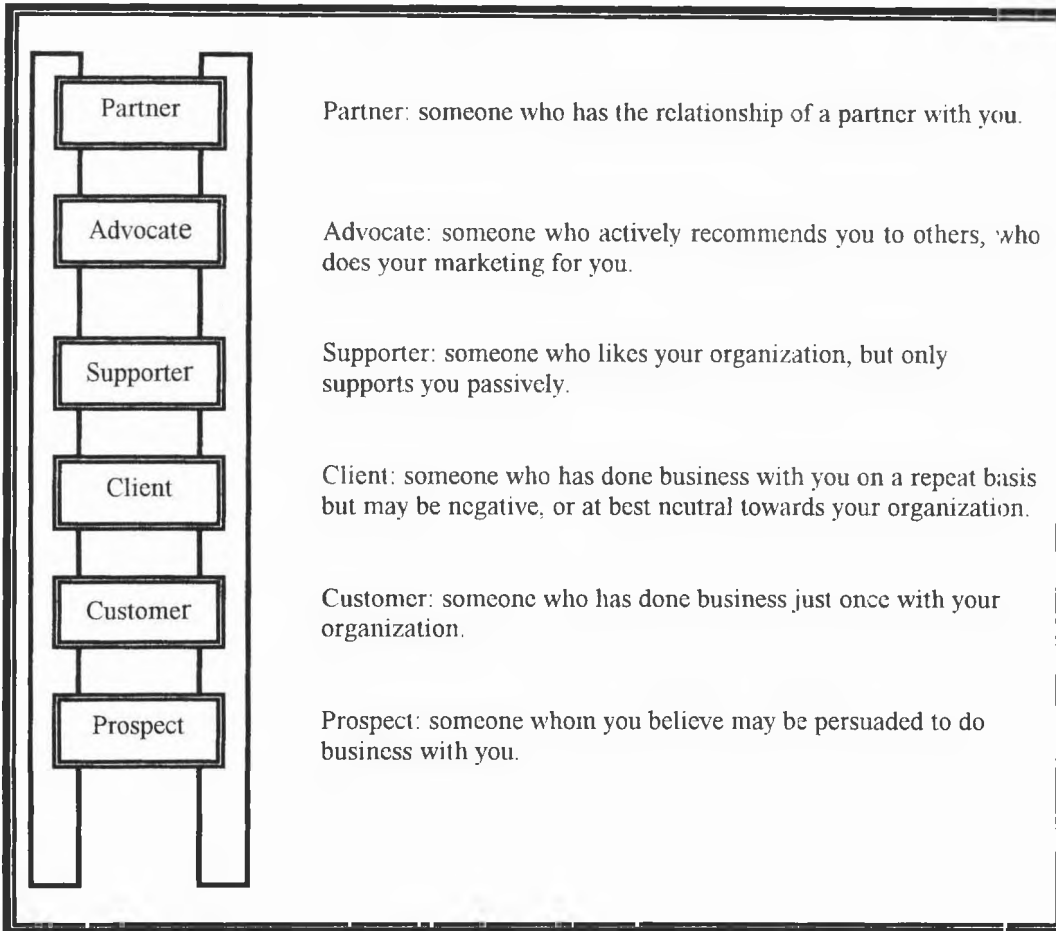


Figure 1: The Customer Loyalty Ladder

(Source: Payne, A. 1994. Relationship Marketing-Making the Customer Count. Journal of managing service quality, Vol. 4, No. 6 pp. 29-31)

MATERIALS AND METHODS

Relationship marketing has been widely accepted nowadays and prior to this, numerous books and journals on this topic can be found. Customers have always been the prime focus for marketing activity but the way business people view this relationship is changing. As it can be considered as a new concept in marketing, it is interesting to do a theoretical paper solely on relationship marketing. It is based through readings, observation and experience.

RESULTS AND DISCUSSION

Relationship marketing is all about forging strong, enduring and unique relationships with a core of most valuable customers. Organizations frequently ignored that existing customers are easier to sell to and always busy attracting the new ones. Lack of marketing knowledge and skills can make organizations lost its valuable and profitable customers. Organizations must know in depth what each customer wants despite whether the individual is a new or existing customer.

One can find in marketing books or even marketers seldom say that "it is difficult to attract new customers rather than retaining the existing ones." Actually, both tasks are equally important and

crucial. No one would suggest that new customers are not important, indeed they are essential; but they should not be the only focus of marketing efforts. Apart from that, relationships with existing customers need to be well maintained and nurtured in order to achieve the economic goals. If promises are not delivered, then organizations might lose its customers.

Goals of Relationship Marketing

Does relationship marketing pay? The business environment keeps changing and customers become more demanding. Thus, firms must practice relationship marketing to adhere with this paradigm shift. Retaining customers allow business firms to develop a deeper relationship with them and encourages repeated and increasingly frequent buying activity. The goals of relationship marketing are not mainly focusing on profitability and survival in the market place but also concentrating on mutual needs.

Economic Benefits

Business firms need to search the economic stability to gain popularity among the new and existing customers as well. Why is it so? Getting the right balance and retaining customers make good economic sense. The longer they stay, the more profits they bring the company and it is a common thing in the marketing world.

There are several factors why retaining customers are so profitable. Payne (1994) [2]

- sales and marketing and set-up costs are amortized over a longer customer lifetime;
- customer expenditure increases over time;
- repeat customers often cost less to service;
- satisfied customers provide referrals;
- satisfied customers may be prepared to pay a price premium.

The whole concept is to increase sales, profits and market share and also to minimize costs. The bottom line is to make the customers satisfied and continue the relationship. This will lead to better performance of the organizations,

Loyalty Through Satisfaction

A customer that is satisfied with the product or service offered to them would continuously purchase the same product and gets the same service. Satisfaction is the key word and this is where relationship marketing plays an important role to retain those satisfied customers. A normal way of monitoring customer satisfaction and success is to look at market share and surveys. When the market share is stable or increases, it is a positive sign of customer satisfaction.

As it has been mentioned earlier, business organizations are competing with each other in building their own database management. This system will keep them abreast with the continuous information about the degree of satisfaction and dissatisfaction among customers. This can also serve as a powerful management instrument whereby the organizations can continuously update databases of its customers and at the same time spreading their wings in attracting new customers.

Quality Circle

Quality is interpreted differently among us. Customers who receive quality that exceeds expectations are more likely to be loyal to the firm. As quality is a subjective matter, added value acts as a tool for customer to measure the level of products or services. Looking at transaction marketing approach, it includes no or minimal customer contacts. The customer perhaps will obtain the brand image of the product or services and added value is hardly recognized. In comparison, the relationship marketing offers a different scenario. The communication and interaction with the customers become intense and broad. Relationship marketing has it all, customers can get lots of information, latest promotions, technological advice, creative trivia and above all customers are being pampered by the business firms.

Customer Contact

The customer contact in relationship marketing is very high if compared to transaction marketing (see table 1). Hence, the interaction between business people and the customers is very close indeed.

Feedback from customers will open the room for improvement in terms of quality products or services. In transaction marketing where the customer contact is limited, buyer will be attached to the seller due to the core product and sometimes the image of the organization or its brand. Price is a sensitive issue in transaction marketing where a competing firm that offers a lower price will be the centre of interest.

A business firm that practice relationship marketing has special purposes in serving the customers. Adding more value to this strategy will tighten up the relationship, something that is not provided by the core product itself. This will lead to customers that are less price sensitive. As satisfaction arise, the number of buyers will increase as well. The existing customers will notify the prospects of the benefits through word of mouth. This mutual understanding will benefit both parties.

Table 1. Transaction Versus Relationship Marketing.

	Transaction marketing	Relationship marketing
Focus on	Obtaining new customers	Customer retention
Orientation to	Service features	Customer benefits
Timescale	Short	Long
Customer service	Little emphasis	High emphasis
Customer commitment	Limited	High
Customer contact	Limited	High
Quality	Primarily an operations concern	The concern of all

(Source: Payne, A. 1994. Journal of managing service quality, Vol. 4, No. 6. pp.29-31) [2]

CONCLUSION

Relationship marketing is not merely a means for trading, it is the mode of responsive and responsible trading, Varey (2002) [3]. It is a new perspective on the outskirts of the marketing map and it signifies the long run survival of a business. Business people are aware of the product life cycle (PLC) and use it as a yardstick as markets mature where customer retention will become even more important.

A powerful way of communication that integrates marketing, information, knowledge and the latest technology can stimulate customer's interest. The proof of success can be seen through company's economic benefits, customer loyalty, quality products or services and other beneficial contributions. The key to success is to acquire prospects, concentrate both prospects and existing customers and to retain them.

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