KEYS TO EFFECTIVE
RELATIONSHIP MARKETING

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Abstract

The authors argue that the keys to success in designing and implementing a relationship marketing strategy are: 1) take three prior considerations into account before embarking on the process; 2) carry out the design and implementation process in three stages: 2a) define the company's mission, values and culture; 2b) design a relationship strategy; 2c) then, and only then, allocate the necessary staff and resources (IT or other resources, such as websites, databases, loyalty cards, call centers, etc.). Lastly, the authors describe the seven keys to effective relationship marketing: 1) make sure the basic transactional model is working well to start with; 2) implement the new strategy gradually; 3) make sure it is genuinely two-way and customer-oriented; 4) overcome customers' reluctance to maintain a relationship; 5) cultivate virtuous circles; 6) secure top management support; and 7) offer customers a multi-channel, integrated, consistent experience. They conclude by noting that there is no such thing as the perfect or definitive relationship strategy.

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Introduction

In September 2004, the American Marketing Association (AMA) issued a new definition of marketing: *"Marketing is an organizational function and a set of processes for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders"*[1].

The AMA's new definition indicates how important relationship-based marketing strategies have become. Nevertheless, the fact that many CRM (Customer Relationship Management) and relationship marketing programs have a low or negative return on investment suggests that these programs have a long way to go before they become truly effective tools for increasing customer satisfaction and loyalty in a way that impacts on corporate sales and profitability[2].

In recent years, various authors have investigated the reasons for these poor results. They have found that the mistakes most commonly made are: adopting a CRM solution without first designing a customer strategy based on a definition of the value proposition, target audience, sales targets, and customer satisfaction[3]; communicating with customers too much and too often[4]; taking it for granted that customers want to maintain a relationship with the company; implementing a CRM system without sufficiently taking into account the changes that will have to be made to the organization, e.g. because there is no customer service mentality among employees, no training plan, a corporate culture focused on short-term results, or unsuitable selection and compensation systems)[5]; and lastly, thinking that the more technology is applied, the better[6], so that a large proportion of the CRM budget is spent on the technological side of the solution.

Despite these failings, we have come to the conclusion –in light of certain relationship marketing programs we have studied (including those implemented by Hewlett-Packard

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[1] *Marketing News*, September 15, 2004, p. 16.

[2] Relatively small increases in customer loyalty can generate significant bottom-line improvements (Reichheld, Frederick F., *The loyalty effect: the hidden force behind growth, profits, and lasting value*, Harvard Business School Press Boston, Mass., 2001).

[3] Rigby, Darrell K., Frederick F. Reichheld and Phil Schefter, "Avoid the Four Perils of CRM", *Harvard Business Review*, vol. 80, 2, February 2002.

[4] Fournier, Susan, Susan Dobscha and David Glen Mick, "Preventing the Premature Death of Relationship Marketing", *Harvard Business Review*, vol. 76, 1, January-February 1998.

[5] Rigby et al., op. cit.

[6] Ibid.

(DesignJet Online), Imaginarium, Spainsko[7], and the IESE Alumni Association), the experiences we have gathered from managers attending relationship marketing and sales seminars held at IESE, and a review of the academic literature in this field– that well designed and properly implemented relationship marketing programs can nevertheless bring real benefits to companies and consumers alike. What are the keys to success?

Table 1

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RELATIONSHIP MARKETING CASE STUDIES

HEWLETT–PACKARD
Program: DesignJet Online
Market: Large-format printers
www.designjet.hp.com
Case: "HP: DesignJet Online 2003" (M-1175-E), IESE Business School
At the beginning of 1998, HP's Inkjet Commercial Division launched the DesignJet Online CRM program, aimed at building a closer relationship with existing users of HP's large-format printers around the world. At the core of the project was a website offering technical support and product information.

IESE Business School
Program: Alumni Association
Market: Executive education
www.iese.edu
The IESE Alumni Association was founded in 1959. Its mission was to promote the lifelong education of the entrepreneurs and managers who have participated in IESE's core programs. Since then, it has undertaken a wide range of relationship-building activities designed to help it fulfill that mission.

IMAGINARIUM
Program: Imaginarium Club
Market: Toys
www.imaginarium.es
Case: "Imaginarium" (M-1173-E), IESE Business School
The Imaginarium Club was started in 1993. It was aimed especially at families with children under the age of nine who occasionally, or frequently, shopped in Imaginarium stores. Enrolled families could participate in club activities and had access to the club section of the corporate website. The purpose of the club was to create a database of members and manage it using a CRM system.

SPAINSKO
Program:
Market: Comfort shoes sold by catalogue
www.spainsko.es
Case: "Spainsko" (M-1005-E) IESE Business School, and Workbook: "CRM: Three success strategies" (Lluís G. Renart, Francesc Parés and Carlos Cabré), ebcenter PwC & IESE, February 2005
From its inception in 1994, Spainsko conducted a CRM program aimed at building a long-term relationship between the company and its customers that would improve communication, enhance customer satisfaction and stimulate repeat purchases.

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In our view, there are three prior considerations before any customer relationship strategy should be implemented; the implementation process itself must be carried out in three stages; and there are seven key factors for achieving the program's goals. In this paper we discuss these prior considerations, stages and key factors in detail.

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[7] For more information on these three cases, see "CRM: Three success strategies", by Lluís G. Renart, Francesc Parés and Carlos Cabré, ebcenter PwC & IESE, February 2005.

Figure 1

Overall framework of relationship marketing
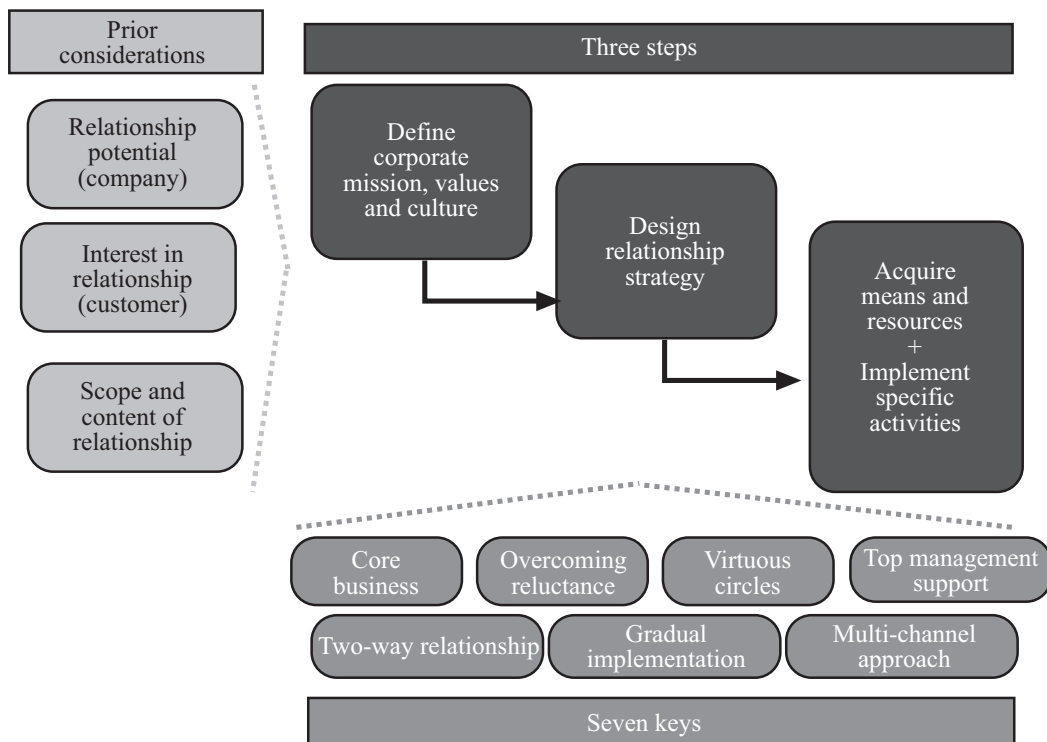
The three prior considerations of relationship marketing

First consideration: relationship potential. Before adopting a relationship marketing strategy, companies must bear in mind that such a strategy is not equally advantageous for every type of company, product and customer. How can a company find out in advance whether it is likely to benefit from a relationship marketing program? The first step is to analyze what we call the company's relationship potential.

As it is difficult to assess the possible future benefits of a relationship marketing program in the aggregate, it is best to analyze individually each of the eight classic stages of relationship marketing (identify; inform and attract; sell; serve; satisfy; build loyalty; develop; and create a customer community[8]) and estimate the costs and benefits of each one[9]. Naturally, the cost-benefit ratio will be different at each stage, and each stage will be evaluated accordingly, on a scale of 0 to 10. If the costs for a given stage are high and the benefits low, the score for that stage will be close to 0. Conversely, if a stage is likely to be very easy and inexpensive to implement and the likely benefits are substantial, the score will be close to 10. Here, "benefits" includes not only measurable and recordable economic profit, but also indirect, even intangible benefits such as customer attitudes or knowledge of customers' real needs.

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[8] Fostering relational ties between the brand, the products, and the customers, and among customers. See McAlexander, Schouten, Koenig (2002).

[9] To the eight stages just listed we could add two further activities: filtering (getting rid of undesirable customers), and recovery (winning back customers who have deserted).

For example, before starting its DesignJet Online program, HP studied the feasibility of identifying and communicating online with the owners of its installed base of large-format printers. A market study revealed that a higher-than-expected percentage of its customers were regular Internet users and were interested in receiving information about the company's latest products. This suggested there was a definite relationship potential and encouraged the company to start the program.

In assessing the loyalty-building stage (one of the most important in any analysis of a company's relationship potential), management must estimate the margin earned on each successive purchase made by a customer and any correlation between enhanced customer satisfaction and increased purchasing activity. Dispersion or differences among customers in the way they use and value the company's products is another factor to be taken into consideration. The greater the dispersion, the greater the benefits to be obtained by giving the best customers exclusive and differential treatment.

If the sum of the scores of the eight stages is approaching 0, the company's relationship potential will be seriously in doubt. If such a company were to launch a relationship marketing program, the program would very likely fail or bring little benefit.

If the sum of the eight stages is closer to 80, the chances of success will be considerably better. The questions managers must ask themselves before adopting a relationship marketing strategy are summed up in Figure 2.

The assessment of a company's relationship potential obtained by this method is fairly loose and subjective. However, in various relationship marketing seminars, we asked different groups of executives to make the same assessment, after analyzing the Spainsko and HP DesignJet Online cases. The different groups' assessments of these two companies' relationship potential were reasonably consistent.

Second consideration: interest in a relationship. The second prior consideration is to understand that relationship marketing is not equally well accepted by all types of customers. Not all customers can be expected to respond with the same level of interest to the company's proposal of a relationship. Not all customers want to maintain such a relationship. Even customers who are satisfied with the product or service may be reluctant. Therefore, the company needs to analyze customers' reluctance to maintain a relationship. It must try to design a program that does not arouse adverse reactions.

Third consideration: scope and content of the customer relationship. The third prior consideration is that the customer relationship program does not have to cover all eight stages of relationship marketing. Nor does it necessarily have to include, say, a loyalty card or a customer or user community. The purpose of the program may be to satisfy customers a little better, or find out a little more about their preferences, or encourage greater loyalty. Although satisfied and loyal customers are a very valuable asset for any company[10], that is not to say that companies must necessarily use each and every strategy or tool in the book to secure customer loyalty. A relationship marketing program may be intended merely to cover some of the stages, using a low-intensity approach[11].

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[10] Reichheld, Frederick and Earl W. Passer, "Zero defections: Quality comes to service", *Harvard Business Review*, September-October 1990, pp. 105-111.

[11] Renart, Lluís G., Francesc Parés and Laureano Berasategui, "Imaginarium", M-1173-E, IESE Business School.

Figure 2

Relationship marketing feasibility analysis

FEASIBILITY OF RELATIONSHIP MARKETING		
STAGES OF RELATIONSHIP MARKETING	**HOW TO ASSESS RELATIONSHIP POTENTIAL AT EACH STAGE**	**SCORE EACH STAGE FROM 0 TO 10**
1 IDENTIFY Identify target customers of a relationship marketing strategy.	*Has the company already identified its customers, or will it be relatively easy and inexpensive to do so?*	☐
2 INFORM AND ATTRACT Make those customers aware of the products and services.	*Will it be easy and inexpensive to make customers aware of the company's products and services? Is the company well-known in its market and are its products accredited?*	☐
3 SELL Convert potential customers (previously identified and aware of the product) into actual customers.	*Will it be easy and inexpensive to get customers to enroll in the program? Will it be easy and inexpensive to sell to enrolled customers?*	☐
4 SERVE Deliver the product, install it, adapt it to customers' needs, and deliver any other service required.	*Will it be easy and inexpensive to serve customers?*	☐
5 SATISFY Keep customers satisfied with the product or service they have bought.	*Will it be easy and inexpensive to keep customers highly satisfied after the purchase? Is the product a quality product?*	☐
6 BUILD LOYALTY Get customers to come back and buy the same product or service again.	*Will it be easy and inexpensive to turn satisfied customers into loyal ones? Is the purchase frequency high?*	☐
7 DEVELOP Increase the quantity, value and variety of products or services purchased.	*Will it be easy and inexpensive to get customers to buy other products from the company? Will it be possible to create new emotional ties?*	☐
8 CREATE A COMMUNITY Foster ties or relationships between customers.	*Will it be feasible and inexpensive to create, maintain and benefit from a user community?*	☐
SUM OF THE EIGHT PARTIAL SCORES		☐

The three stages of designing a customer relationship strategy

Once a company has analyzed the three prior considerations and has come to the conclusion that it is likely to benefit from establishing a closer relationship with its customers, what is the first step in designing and implementing a relationship marketing strategy? In recent years, many efforts to foster customer loyalty have started with points programs and discounts to reward loyalty financially. Yet it is questionable whether a company will be able to build customer loyalty if it does not have a clear idea of its goals as a company and what it offers its customers.

First step: define the corporate mission, values and culture. Can a company build a deep, quality relationship with its customers if it does not have a clear idea of its mission as a company and what it offers its customers? Probably not, if it focuses exclusively on rewards programs and discounts that foster loyalty merely on an economic basis. Therefore, the logical first step must be to define the corporate mission, values and culture.

According to William George[12], the three necessary conditions to generate long-term growth in a company's shareholder value are that the company be mission-driven, that it be values-centered, and that it have an adaptable business strategy.

Ideally, the definition of a company's mission will include the right combination of extrinsic motives (tangible results or material rewards); intrinsic motives (the satisfaction of a job well done, learning and knowledge acquisition, even the pleasure of serving others); and transcendent or altruistic motives (helping to satisfy customers' real needs, helping them to develop professionally and as people).

The motivational quality of a relationship marketing program will improve as the relative importance of transcendent or altruistic motives increases. In Figure 3 we analyze the motives that lead customers and companies to start and maintain a relationship.

If both parties are motivated exclusively by extrinsic motives, they will have a relationship of sorts, but it will be relatively fragile and mediocre: what might be called a contractual or materialistic relationship. Either party may break the tie if it thinks it is likely to benefit more from a relationship with a different party. Many points-based loyalty programs probably generate this type of relationship.

If the parties' motivation is of a higher quality and their actions are driven by a combination of extrinsic and intrinsic motives, then the relationship will be more solid and consistent. The relationship no longer depends exclusively on each party benefiting materially from the other (purchase volume, points...), as both also enjoy the relationship, find it esthetically pleasing or entertaining and, above all, learn and actualize themselves through it. In cases such as this, a higher quality, more consistent relationship arises: what we call a technical-professional relationship.

Lastly, if both parties are motivated by a combination of extrinsic, intrinsic and transcendent motives, the resulting relationship will be even deeper and more solid, with a higher level of trust and commitment. This can be described as a relationship of "identification", in the sense used by Herbert Simon in his book *Administrative Behavior*: "A person identifies with a group
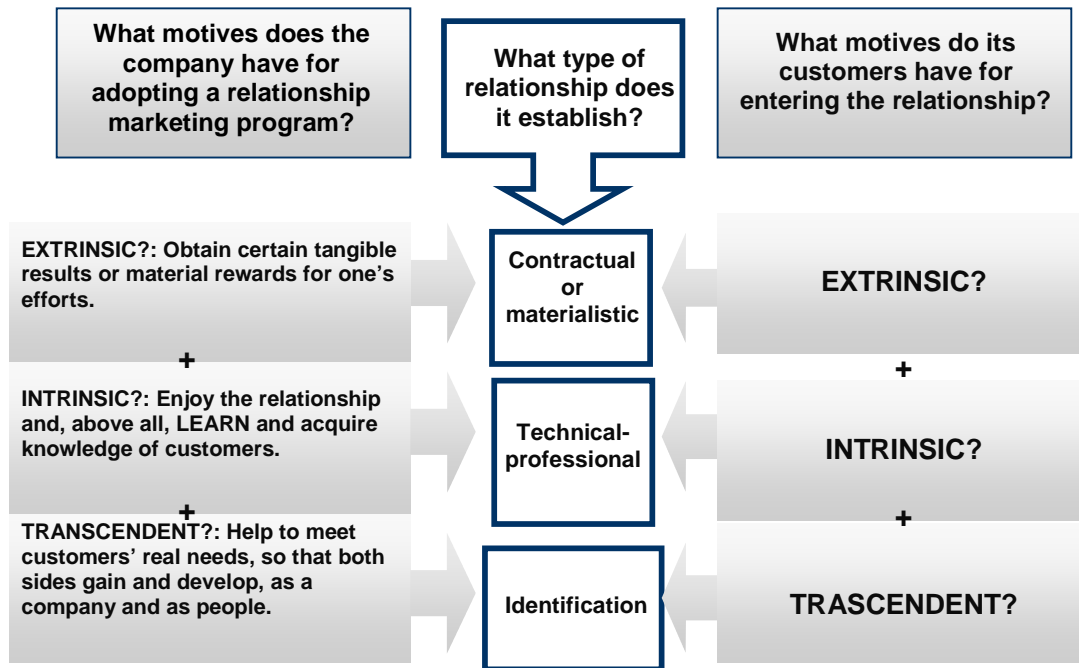
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[12] George, William, Chairman and CEO of Medtronic, Executive of the Year Award 2001, *Academy of Management Executive*, vol. 15, 4, 2001, p. 41.

if, when making a decision, he evaluates the different action alternative in terms of their consequences for the group"[13].

Figure 3

Analysis of motives for relationship marketing

The more effort a company makes to listen to its customers and understand their needs, and the more it shares this information among its various departments (especially R&D), the more likely it is to succeed with its relationship marketing program. The relationship between market orientation and corporate results has been widely researched in recent years[14].

Studies of relationship quality[15] suggest that customers' trust in a company and mutual satisfaction of each other's real needs are essential to the success or value of a relationship[16]. Some authors argue that customers especially value companies that display integrity, reliability and trust, and that actively seek to meet their needs[17].

Second step: design the relationship strategy itself. Designing and implementing a relationship marketing strategy consists of designing and carrying out a set of relationship-building activities, beyond the scope of the basic transactional model, that help the company develop a deeper, more satisfactory relationship with its best customers. These activities require

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[13] Simon, Herbert (1945), *Administrative Behavior*. Fourth edition, 1997, p. 284, *The Free Press*, New York.

[14] Jaworski, Bernard, "Market Oriented: The Construct, Research Propositions, and Managerial Implications", *Journal of Marketing*, 1990. Deshpandé, Robit and John U. Farley, "Understanding Market Orientation: A Prospectively Designed Goal-Analysis of Three Market Orientation Scales", *Marketing Science Institute* Working Paper, 1996. Heiens, Richard, "Market Orientation: Towards an Integrated Framework", *Academy of Marketing Science Review*, 2000.

[15] Relationship quality is the value or quality of the interactions between a company and its customers. It is determined by a broad set of factors, including trust, satisfaction, commitment, etc.

[16] Naudé, Pete and Francis Buttle, "Assessing Relationship Quality", *Industrial Marketing Management*, 29, 2000, pp. 351-361.

[17] Dorsch, Michael, Scott R. Swanson and Scott W. Kelley, "The Role of Relationship Quality in the Stratification of Vendors as Perceived by Customers", *Journal of the Academy of Marketing Science*, 1998.

certain expenditures and investments to maintain a medium to long-term relationship that will generate enough value to satisfy the company and its customers. The relationship strategy as a whole, and also each individual relationship-building activity, must be aligned with the company's mission, culture and values, as defined in the previous stage.

In any relationship marketing program it is important to decide how many separate relationship-building activities there will be. They must be grouped in "families", checked for internal quality, and made consistent with the company's mission and values. Each group of relationship-building activities will address different customer needs and add value to the customers' different motives for entering into a relationship with the company or organization.

For each individual activity, management must define what the activity consists of, which customers it is intended for, what conditions customers must meet in order to qualify to participate, and whether the activity is to be paid-for or free. To measure success or failure, criteria must be established to gage the action's effectiveness and determine whether the return on investment is positive or negative. Figure 5 outlines the conditions for access to the specific relationship-building activities undertaken by HP and the IESE Alumni Association.

Figure 4

Examples of grouping of relationship-building activities

ORGANIZATION	Groups of activities	Relationship-building activities
IESE Alumni Association	Lifelong education	Continuous Education Program Extraordinary sessions, Seminars and industry meetings e-Conferences Economic Overviews
	Information	Alumni Magazine Alumni Newsletter IESE Insight IESE Publishing
	Networking	IESE Global Alumni Reunion, Class reunions, Regional Alumni Chapter Reunions, e-Networking
	Career services	Consultations Career development
HP DesignJet Online	Information	*Newsletter* Promotions and events Notifications of warranty expiration
	Aftersales support	Technical support Manuals Downloads, Accessories and consumables
	Feedback and community	On-line surveys Discussion forums
	Sale/replacement	Test printing Replacement program Demonstration rooms

Figure 5

Example of relationship-building activities

Organization	HP DesignJet Online	IESE Alumni Association
Relationship-building activiy	Sending of free print samples to customers' offices.	IESE Continuous Education Program: short, periodic training sessions on topical issues.
Who for?	Customers registered at the website + Unregistered website users. Free registration.	Members only (IESE alumni, who pay an annual fee). Free, unlimited access for members.
On what conditions?	It is not necessary to have an HP printer, but it is necessary to regoster on the website.	Available only to alumni who are members of the IESE Alumni Association.
Paid-for or free?	Completely free. Even delivery is free.	Annual membership fee, with no joining fee.
How are results measured?	Percent e-mails opened + Percent request for samples + Printer purchases.	Percent attendance at meetings + Percent loyalty of Alumni Assocation members.

Third step: acquire means and resources. Having defined the company's mission, values and relationship culture and the chosen relationship strategy, the third step is to acquire the means and resources to put the individual relationship-building activities into effect. Specifically, management must identify, select and implement the technological means (CRM package, websites, intranet or extranet, business intelligence programs, data mining, loyalty cards, etc.) to develop the chosen customer relationship strategy. Scalability of the system is an important consideration, because if the strategy is successful, the number of users is likely to increase, and so too is the variety of relationship-building activities. The system should be expanded gradually, adding flexible and modular applications.

In this last stage, management must decide what staff will be needed to implement and run the program, paying special attention to the customer care, support and quality department, and making sure the means are available to actually implement the planned activities. In some cases this may involve acquiring physical assets, or outsourcing certain functions that are best performed by outside suppliers. For instance, many companies that have adopted relationship marketing strategies subcontract call center, e-mail or mailing services.

Organizing and carrying out all these relationship-building activities has a cost. Often, a company may be able to identify a set of partners or associates that will deliver additional benefits to customers in exchange for cooperating in the program. For example, some car rental companies, hotel chains, etc. award points to Iberia Plus cardholders and/or offer services in return for points. Such partners make relationship-building activities (including loyalty cards) more attractive and valuable to customers.

Lastly, having defined the strategy and the content of the relationship marketing program, the company must carry out a set of specific activities that serve the company's mission and relationship strategy. The following are just a few of the most important ones:

- Feasibility analysis of the program

- Review of transactional marketing; assess the performance of:

  – Product quality control
  – Customer service
  – Price setting
  – Distribution channels, etc.

- Program management team:

  – Create a program management team
  – Assign responsibilities
  – Plan follow-up meetings and coordinate the departments involved

- Study phase:

  – Market studies
  – Internal studies on the customers and the company

- Program definition:

  – Relationship strategy; prior analysis of mission, values and culture
  – Relationship-building activities
  – Acquire means and resources
  – Set short, medium and long-term goals (milestones)
  – Decide which parts of the program will be carried out in-house and which will be outsourced
  – Design (internal and external) communication and information activities

- Implementation:

  – Introduce a loyalty card, if considered appropriate; plan a system of points, prizes, rewards and privileges for members
  – Launch basic services that add value to partners or customers
  – Design any additional services to be provided by partner companies
  – Create/improve complaints service
  – Merchandising materials to foster identification with the company

- Monitoring and improvement:

  – Plan metrics for monitoring the program (quality management)
  – Identify information obtained from customers and how to use it to personalize communications
  – Plan gradual introduction of new services that cannot be launched until the program has matured (e.g., customer community)

The seven keys to effective relationship marketing

The three planning steps described above are a perfect starting point to make a relationship marketing program feasible. They also show how it can be made a practical success. However, a program's long-term sustainability depends on seven factors. From our analysis of some recent cases (especially HP's "DesignJet Online" and Imaginarium's "Imaginarium Club") we have deduced the following success factors.

The first key factor is whether the company's *core business*, its essential value proposition, is being conducted with maximum efficiency and quality. If the core product or service is not working properly, the company will most likely be unable to build a customer relationship[18]. If the first contact is unsatisfactory, customers are unlikely to want to maintain a long-term relationship with the company. This is fairly obvious, but often tends to be forgotten and may be the first obstacle to be overcome.

A good example is HP's large-format printer division. When asked why HP's DesignJet Online program had been so successful (90% customer loyalty[19]), management said that without excellent print quality and targeted investment in innovation and product quality, the program would not have elicited such a good response.

The second key factor is *gradual implementation* of the relationship strategy. It is not advisable to offer a wide choice of relationship-building activities right from the start. The cases we have studied suggest it is better at first to offer the activities that are likely to be most beneficial to the company and most valuable or most attractive to customers. For example, IESE's Continuous Education Program, which started in 1959 just as the first Senior Management Program ended, was designed to offer alumni a series of ongoing education sessions to help them keep up-to-date with the latest trends in management. These sessions were a direct response by IESE to the detected and declared needs of its alumni and were immediately well accepted. Gradually, new services were added, to reach a total of 31 today. But it is essential to start with what will satisfy customers most.

Slowly, over time, the range of relationship-building activities may be expanded, but not until the first activity is thoroughly established and well accepted. The fact that these programs directly affect customers' perception of the company makes it particularly important that they be introduced gradually.

Although it is common practice, a loyalty card or rewards program does not have to be part of the deal. It should be included only if the benefits outweigh the costs. As the four successful cases we have analyzed show, it is perfectly possible to design and implement a relationship marketing strategy without a loyalty or rewards card. In other words, a company may develop a relationship proposal that its customers value highly, without being offered any points or rewards.

The third key to success is to create a *genuinely two-way* relationship between the company and its customers. Every relationship-building activity entails costs and/or benefits for both parties.

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[18] Storbacka, K., T. Strandvick and C. Grönroos, "Managing Customer Relationships for Profit: The Dynamics of Relationship Quality", *International Journal of Service Industry Management*. In this article, the authors develop a dynamic model of relationship quality that starts with service quality and customer satisfaction as the two factors that initially reinforce the relationship between customers and the company.

[19] Renart, Lluís, Francesc Parés and Carlos Cabré, "The spectacular success of HP in DesignJet Online", *Harvard Deusto Marketing & Ventas*, December 2003.

The company must pay an implementation and program management cost, which will be rewarded by customer satisfaction and loyalty. For the customer, too, maintaining the relationship with the company has certain costs and benefits. A relationship marketing program is genuinely two-way when the cost-benefit ratio is favorable for both the company and its customers, that is, when the benefits of creating and maintaining the program (in the case of the company) and of relating to the company (in the case of the customer) are greater than the costs.

It is surprising to find that some companies act as if their ideal customers were little more than captive "milch cows", tethered to the company's products or services, whom they aim to "milk" for all they are worth.

More important still is to realize that the two-way nature of a relationship marketing program cannot be limited to the company-customer relationship. Even within the company, the internal processes and activities of the marketing, sales, support and R&D departments must also benefit from the program and the information the company has gathered about its customers. The cost-benefit ratio must be positive in each of these departments, too.

In the marketing department, for example, audience segmentation, promotion and communication activities must be fed by the customer information obtained via the contacts recorded by the CRM software that handles all the program's information and marketing actions. Loyalty-building activities are particularly important. They are key to the sustainability of any business and require a deep knowledge of each customer's profile in order to personalize communications and achieve a high response rate.

In the case of the sales department, the information provided by the CRM system may help to improve the planning and sales forecasting, prospect management and customization activities, among others.

The quality or support department may use the information to improve its handling of incidents reported by customers, by establishing a systematic formal consultation process and responding quickly and accurately to any customer inquiry.

Lastly, the R&D department (all-too-often forgotten by the designers of relationship marketing programs) may also benefit. At HP, for example, comments made by customers in discussion forums and support inquiries are passed on to R&D, which may use them to improve product quality and respond more effectively to customers' real or latent needs.

The synergy between the internal processes of the marketing, sales, support and R&D departments, on the one hand, and the customers, on the other, is a key reason for the success of many relationship marketing programs. Figure 7 illustrates this synergy, which we call the "five circles of relationship marketing".

This internal bilaterality of relationship marketing programs means that management has to "sell" the program not only to customers, as has traditionally been the case, but also to the company's various departments, so that they make the most of it. The more the marketing, sales, support and R&D departments participate, the better the cost-benefit ratio for the company and the more customers benefit from the program.

Figure 6

The seven keys to effective relationship marketing

| KEYS TO SUCCESS	Examples
1 CORE BUSINESS A company will not be able to build customer relationships unless the core product or service comes up to expectations.	According to HP printer division managers, printer quality and R&D investment were key to the success of the relationship marketing program. At IESE, if customers had been dissatisfied with the core executive education program, the Alumni Association would not have been such a success.
2 GRADUAL APPROACH The company should start with the most promising relationship-building activities and gradually expand the range.	At HP, management stressed the importance of adding new activities only once those already introduced were well accepted. At Imaginarium, a low-intensity relationship marketing program was launched, without a loyalty card. At Spainsko, there was no loyalty card and the program initially was limited to obtaining information about the customers and personalizing the company's offering. At IESE, the Continuous Education Program was launched in direct response to managers' training needs. Over time, as many as 33 relationship-building activities were launched.
3 TWO-WAY PROCESS The cost-benefit ratio must be positive for both sides.	At HP, customers received a rapid response to their inquiries, while HP InkJet Division's various departments (R&D, marketing, support) obtained valuable information about the customers, making this a profitable relationship for both sides. At Spainsko, thanks to the CRM software, the company obtained information about the customers that enabled it to personalize its communications. At the same time, customers received a more personalized service that helped them choose the right model.
4 RELUCTANCE Overcome customers' reluctance to relate to the company by offering appropriate services and benefits.	At HP, the registration process was short and voluntary. The new services were directly aimed at meeting customers' real needs, without pandering to technology fads. At Imaginarium, families that belonged to the Imaginarium Club identified more closely with the brand. At Spainsko, the CRM software supported efforts to make customers feel that the company was aware of their needs and treated them as somebody special every time they made a purchase.
5 VIRTUOUS CIRCLES Generate positive dynamics; exploit customer information to personalize customer treatment and satisfaction.	At HP, customer information obtained during the advice, purchase, installation and maintenance process was reused when the customer came back a few years later to buy another printer. Satisfied customers proved more willing to supply information and were more receptive. At Spainsko, knowledge of customer preferences was used when customers made a second purchase to offer them models similar to those they had bought previously.
6 TOP MANAGEMENT SUPPORT It is essential to have top management support.	At HP, division managers stress the importance of having top management support, at the start and throughout the project, and not having to produce short-term results.
7 MULTI-CHANNEL APPROACH Integration of customer communication channels.	At HP, information exchange between online and telephone channels facilitated after-sales service. Customers' online activity was known to the call center operator who subsequently served that customer.

The fourth key is the *relationship hindrance* that occurs when customers are reluctant, or openly or indirectly states that they do not want to maintain a relationship with the company. The following are the reasons cited by Noble and Phillips (2004) for why a satisfied customer may not want to maintain a relationship with the company:

– Maintenance: time and effort involved in keeping the information the company has about them up-to-date
– Reception: costs associated with receiving communications from the company via e-mail, regular mail, telephone…
– Physical: cost of having always to carry a card in order to obtain the benefits
– Mental: cost of remembering passwords and company rules
– Initiation: time cost of being a member (registration, enrollment…)
– Accumulation: time and purchase amount required to obtain benefits are too high
– Travel: the company store or office is too far away
– Hidden catch: later on, hidden costs appear that initially were unknown
– Disincentive: benefits are not interesting or attractive…
– Ignorance: ignorance of benefits
– Privacy: cost associated with lack of anonymity.
– Social: customers feel uncomfortable if their relationship with the company becomes public

## Figure 7

The five circles of relationship marketing
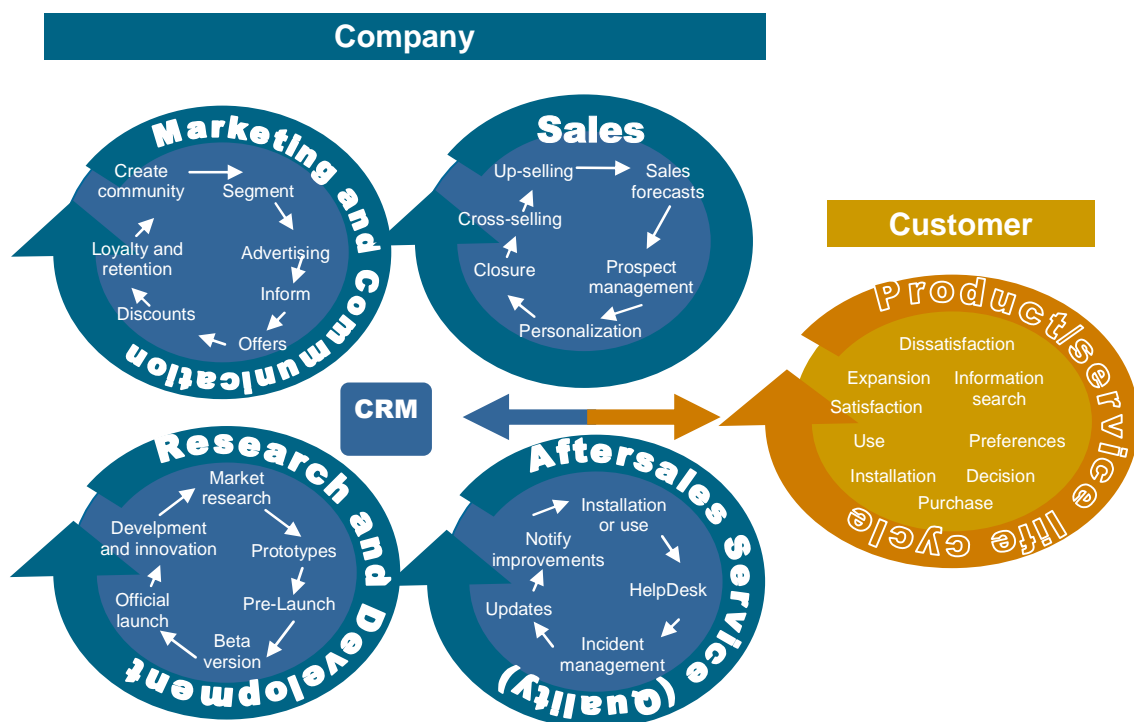
Although traditionally companies have focused on how they relate to their customers, it is important also to analyze the other side of the coin, that is, why customers are keen or reluctant to relate to the company. The cases we have analyzed indicate that it is important to overcome customer reluctance by offering services and benefits that appeal to customers.

The fifth key is to be alert to the potential for *virtuous circles.* If the relationship marketing strategy is well designed and well executed, the program may snowball. In various cases analyzed in recent years, we have confirmed the importance of virtuous circles. Virtuous circles may arise when the information obtained about the customers enrolled in the program is centralized, thanks to a CRM system, and is regularly updated and made available to the different departments and employees, allowing the company to personalize and target its offering. In the short term, this results in more satisfied customers, who receive better service, and higher sales. In the long term, it generates more information about customers, who, being satisfied, are more loyal and more willing to provide further details. This is the feature that appeals most to the managers who have chosen to implement such systems: the long-term sustainability these programs provide is difficult for any competitor to imitate in the short term.

Figure 8

Virtuous circles of relationship marketing
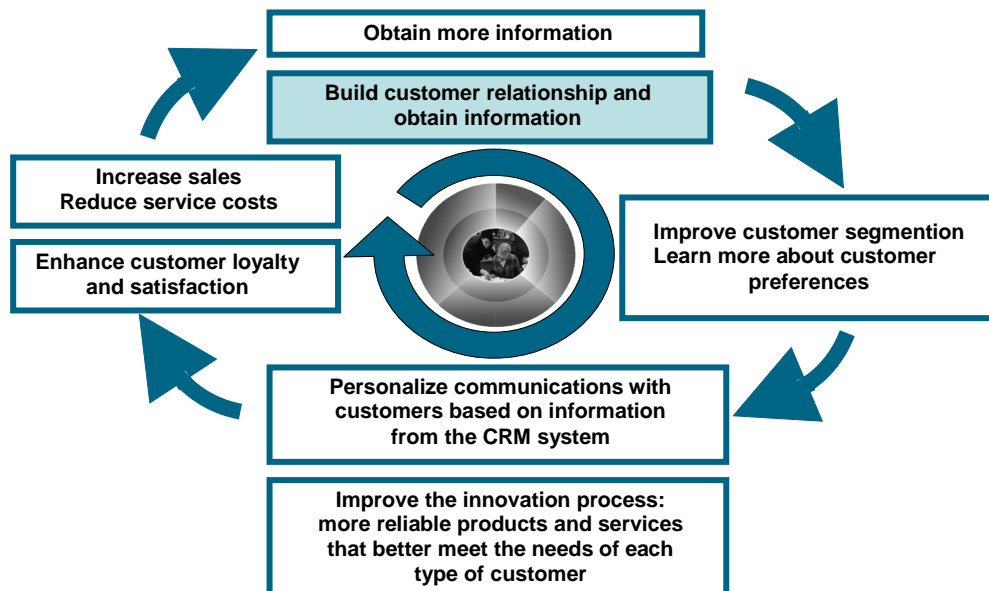
The information supplied by customers allows marketing directors to fulfill their dream of fully personalizing their messages. It gives scope for "variable geometry" relationships, with different content for different customers, which is key if we accept that not all customers will be willing to maintain a relationship and that different customers may value different relationship-building activities differently.

The sixth key is to have *top management support* from the outset and throughout the process. This has proven fundamental, given the strategic impact CRM projects can have, their duration, and the fact that they usually involve different areas of the company.

Lastly, the seventh key is *multi-channel marketing.* In recent years, the number of channels for communicating with customers has grown. In addition to traditional channels such as telephone, television or regular mail, we now have the Internet, e-mail, PDAs, and many others. This has been a real challenge for companies, and in particular for those with relationship marketing programs.

While, initially, relationship marketing programs were conducted exclusively via the Internet or simply involved giving customers the option of contacting the company through on-line or mobile channels, real multi-channel marketing involves integrating all these channels, so that the company conveys a uniform brand image through every channel, the information distributed through each channel is readily accessible, synergies are realized between channels, and customers are able to switch communication channel as they choose and at no extra cost.

In line with the white paper entitled "Stop Random Acts of CRM", published in 2005 by Right Now Technologies - Peppers & Rogers Group (no author specified), companies must aspire to deliver "a seamless experience" in all their contacts with customers. This idea is illustrated in the following diagram:

The Customer Experience Strategy Map
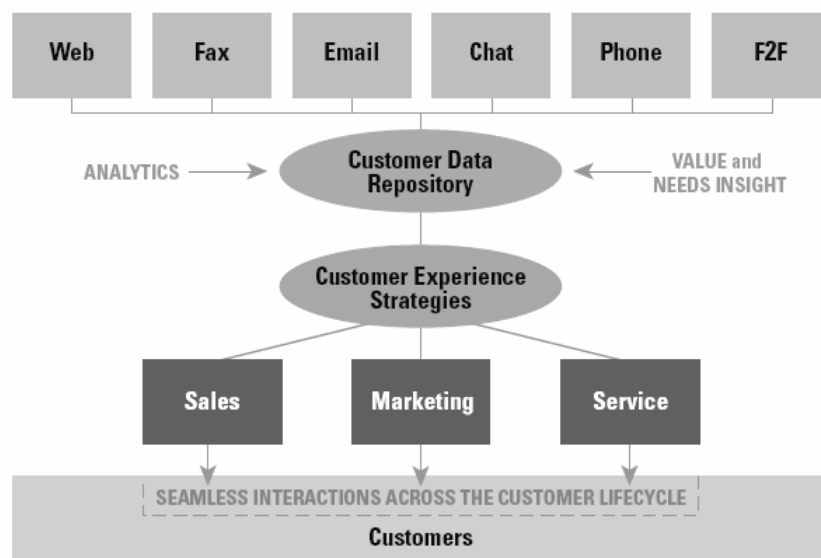
A single customer knowledge base, or data repository, is the linchpin for collecting customer insight gained from interactions across channels, and translating that insight into seamless customer experiences across the lifecycle.   Source: *Peppers & Rogers Group*

Conclusion

Recent experience in the implementation of relationship marketing programs has shown that it is a gradual process in which companies must experiment to see how customers react to each project; in which it is important not to put all one's eggs in one basket; and in which the benefits materialize gradually as the program advances.

It has also been shown that technology can help to implement the company's chosen customer strategy; but it should never be the heart of the project, or its starting point.

There is no doubt that the new American Marketing Association definition is a sign that relationship marketing is gaining acceptance; but there is no such thing as the perfect or definitive relationship strategy. Companies must always be willing to start or stop relationship-building activities over time, as circumstances change and customer acceptance and participation evolve.

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