

How do organisations
build customer
relationships?



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Why do organisations seek to build relationships with customers and how do they successfully develop such relationships?

Terms of Reference

In the pursuit of my studies for a degree in “ Business Studies and Marketing,” and to aid my chosen career development and progression in the future, I have selected a specific area of marketing as the topic for this dissertation, this relating to the concept of customer relationships development and, in particular, the determination of why this is so important to organisations and what comprises a successful marketing strategy to achieve these ends.

There has been a considerable amount of literature related to the issue of customer relationships and its management, which covers areas including the use of branding and brand loyalty as part of the market strategy needed to create such relationships. In addition, although almost as a separate issue, other empirical researches have been undertaken into the study of the consumer practical and psychological buying determinants. However, as Jerry Zaltman (2003) states in introducing his consumer research “ *too many marketers don’t understand how their own and their customers minds interact.* ”

The purpose of this dissertation is to take a closer look at the level of interaction that should exist between the two areas of research and endeavour to determine how a greater level of research and understanding of the consumer buying determinants can be used to enhance the successful

creation of the consumer relationship management strategy objectives of the firm.

In order to provide a greater understanding of this subject, the dissertation will focus on the following objectives: –

- Provide an understanding of customer buying determinates
- Define the term “ customer relationship” and the benefits that building such relationships provide for the corporation
- Identify how an understanding can assist in the development of a firm’s customer relationship strategy and management.

Literature Review

As Zaltman (2003) and Evans et al (2006) suggest, understanding consumer psychology and buying determinates should be a pre-requisite for building successful brand strategies that lead to the building and managing of successful customer relationships, although this is not always deemed to be the case. Therefore, the literature review for this dissertation will concentrate upon three main aspects of this subject, this being consumer behavioural determinates, branding and consumer loyalty and retention, and customer relationship management and the tools used

Consumer behaviour determinates

Consumer behaviour is driven, consciously or sub-consciously, by a combinations of emotional, physical and psychological elements. This includes experience created memories, both past and present, which are used to judge the quality and appropriateness of a purchase to the consumers needs and satisfaction, as Bagozzi et al (2002), Zaltman et al (2002) and Evans et al (2006) explain at length in their studies. As this <https://assignbuster.com/how-do-organisations-build-customer-relationships/>

research further stresses, the memory element is an important element of the study as it creates the perception that consumers associate with the product or service.

The involvement of habit, peer pressure and demographics are other important consumer determinants that organisations need to consider. For example, being subjected to family influences, following the pack, a peer pressure that is particularly relevant to the younger age group, are all parts of the consumer decision-making process. As Zaltman (2003) and Evans et al (2006) discovered, evidence of the successful integration of these determinates to entice consumers to products can be found in the adoption of nostalgic advertising and “fad” promotion using celebrity endorsement. These also help to retain the consumer’s custom in the case of new products (Arnold 1992). Demographics, in the form of targeting, determines which customer segment or group of segments is most likely to need or desire the product (Arnold 1992 and Stroud 2005), for example, dividing the consumer into age groups of appropriate value to the product being marketed. However, it has also been suggested that there is, within the consumer determinant, the need to consider the impact that emotional attachment to the product can have upon the consumer decision-making process and loyalty (Durgee 1999, Shrimp and Madden 198 and Thomson et al 2005).

The study and researching of all these determinants, together with the issues of trust and confidence, are important if an organisation wants to create a successful relationship strategy with the consumer because, as (Kelly 2005) states, the purchase is only confirming that these have been met in the mind of the consumer.

Branding and loyalty

Commercial organisations attract consumers to their products by the method known as Branding, endeavouring to create an automatic and lasting consumer reaction in terms of perception and association, as found with McDonalds equating to burgers, (Haig 2004). The art and purpose of branding can therefore be seen to have two main purposes. The first of these relates to quality, standard and reputation (Kolter 2002), which is important to repeat purchase (Kolter 2002 and Kracklauer et al 2003), and the second is to achieve a dominant market position (Buttle 2004 and Bruhn 2006).

Experts are of the opinion that there are two important aspect to focus upon when developing a branding strategy within CRM, the first of which is its usage in the process of targeting and forming a connection with the consumer, which is need to create a foundation for a relationship that can be nurtured over time. An essential part of the targeting process is research into demographics and segmentation, a task by which the marketer is able to closely identify which customer segment or group of segments is most likely to be attracted to the product because of need, desire, emotional attachment or financial capability. Arnold (1992 and Stoud (2005) have suggested that, with many marketers, some segments, such as the older age groups are overlooked, irrespective of the recorded increase in their disposable incomes.

The second aspect when developing branding strategy is related to longevity. As the downfall of Marks and Spencer PLC in the late 1990's and early 2000's evidenced, brands have a short life and need undated to retain

their relevance, both in terms of physical appearance and connection with the changes in consumer needs and perceptions (Floor 2006 and Haig 2004).

Loyalty and retention

Floor's (2006) research states, "*as long as the... experience matches the brand identity, the consumer will come back.*" This is known as the loyalty factor. Customer loyalty can be achieved in a number of ways. This includes the traditional methods of special offers, saver and store cards (Kracklauer 2003: 5; Buttle 2004: 10 and Bruhn 2006: 15). The concept here is that, whilst the customer derives benefit the store itself benefits from constant contact with the customer, as a result of these services, it acquires a considerable amount of research data about the customer. This is essential if a business wants to improve and better manage the customer relationship management system.

Customer Relationship Management

The potential conclusion from the above is that the marketer has to incorporate consumer determinants, branding and loyalty into a customer relationship designed to achieve the business objectives of increased product sales (Zaltman 2003).

The crux of customer relationship management is the importance of every customer, recognising that a lost customer costs (Kracklauer et al 2003 and Buttle 2004). Therefore it is important to build a relationship and bond with each consumer (Kelly 2005 and Bruhn 2006). However, to ensure that this relationship building is approached in the correct manner, it is important to ensure that the firm and its marketers are fully cognisant of the factors that need to form the foundation of their research. As can be observed from the

explanations given earlier this includes consumer behaviour and loyalty, but also the effect that “ brand love” has upon this element of the relationship.

CRM Tools

There are a number of Branding and Loyalty tools that the CRM process can use to continue developing the relationship between organisations and customers. Loyalty cards are one possibility for data collection, which is essential in CRM (Buttle 2004). This data can be used to aid understanding of changing consumer needs and desires, directing them to purchase other products and as a basis for designing future promotional and marketing campaigns (Bruhn 2006 and Kracklauer 2006). If the relationship is close, the customer will also recommend the business, thus helping increase market share.

Data Sources

It was decided that the data sources being used for this dissertations will be a combination of a qualitative and quantitative nature. The reason for this is that the secondary data can be used as a means of comparison and evaluation of the primary data.

Primary Data

The intention is to collect primary data using a process of structured questionnaires. The questions will be designed around a combination of the “ closed” and “ open” format with the intention of these being directed to the areas that require an affirmative or negative response in terms of the former and a multiple choice option for the latter. It is also intended to provide

additional spacing within which the interviewees can add personal comments if considered appropriate.

The intention, time and resources permitting, is to distribute around 150 questionnaires and interviews, of which 25 will be directed to employees at all levels within the retailing industry and the remainder to consumers across a wide range of age and lifestyle segmentations. This mode of distribution has been chosen for two purposes. The first is to test the comment about lack of connection of minds between consumers and marketers mentioned by Zaltman (2003) and the second is to provide practical evidence of the consumer buying determinates used within the decision-making process.

Clear definition of the reason for the questionnaire and the purposes for which it will be used will be included in explanatory notes. Space will also be provided with each answer to allow for comments that the respondents may wish to add. In addition, and in order to comply with data and identity protection, there will be no identifying questions included apart from age, occupation and other non-personally descriptive issues.

Secondary data

From a practical viewpoint, and in particular to be utilised for comparative purposes in respect of the authors own qualitative research, data from newspapers and periodicals, as well as the results of previously relevant surveys will be researched and included.

The benefit of the gathering of extensive secondary data is that it can be useful for the purpose of cross referencing and evaluation of accuracy and compatibility.

Methodology

The methodology being used for this research can be summarised as follows.

The initial period of time allocated to the research will be utilised in the gathering of data from external sources and analysing the relevance to the subject matter. This will additionally be useful in the preparation of the questionnaire to be used for the collection of primary data.

Once this data has been collected, the draft and final questionnaires will be prepared and distributed. During the time required for the return of completed questionnaires, work will be commenced on areas of the dissertation, such as the literature review.

Once the questionnaires have been returned and analysed using the Excel programme, these will be introduced to the dissertation to enable the analysis of the responses and findings.

It is anticipated that, during the preparation of the study, additional secondary data may be required. Where this is appropriate, it will be collected and added to the existing references indicated at the closure of this proposal.

Project Framework

Although during the course of the dissertations preparation the final project framework may be subject to change the current intention, in order to create a logical and sequential progression for the study, is to base the project around the following breakdown of chapters: –

Chapter 1. Introduction

In order to provide the reader with a clear understanding of the purpose and direction of the dissertation, this chapter will serve as an introduction to the subject matter. It will therefore include a brief definition of the term customer buying determinants and how this theory fits within the wider concept of consumer relationship management. In addition, a brief overview of the aims and objectives of the research will be included. Within this chapter a clear hypothesis for the research will also be set.

Chapter 2. Literature Review

In research of this nature it is important that the findings be founded, set against, and compared with existing literature relating to the subject. Therefore, a critical review of literature will be conducted in this chapter, which is intended to cover the research into all aspects of consumer behavioural determinates, branding and consumer loyalty and retention and customer relationship management.

Chapter 3. Methodology

In a step-by-step process, chapter three will be used to explain the methods used for the preparation and execution of the dissertation. This will include my reasoning for the data collection methods, which relates to both primary and secondary sources, the origination of the data and the methods by which it was to be analysed and assimilated into the final study. Furthermore, the limitations of my research will also be included within this chapter.

Chapter 4. Results and Findings

In chapter four it is intended to analyse the results of my findings into the areas that have been studied, in a manner that will the reader with an

understanding and explanation of the basis upon which the conclusions of the research has been derived. For ease of understanding and explanation statistical and graphical diagrams will be used where appropriate, particular in explaining the results of the primary research.

Chapter 5. Analysis and discussion

Using the findings from the primary and secondary sources outlined in chapter 4, this chapter will further analyse those results and discuss the affect that these have upon the interrelationship between consumer determinants, branding, brand loyalty and the commercial CRM strategy process in general. Furthermore, the discussion will outline the commercial benefits of combining these two disciplines for the purpose of marketing strategy.

Chapter 6. Conclusion

Chapter six brings the research to a conclusion. This section will convey to the reader whether the research conducted has proved or disproved the hypothesis presented in the introduction. In addition, recommendations in respect of further area of research required and actions that corporations should take as a result of the findings will also be outlined within this concluding chapter.

Other comments

The intention of this dissertation is to add value to the existing research that has been conducted into the fields of consumer determinants and customer relationship management (CRM), in particular in respect of identifying the beneficial impact that building relationships with customers has for the corporations, together with the practical ways that the result of consumer

determinants research can be added to the practical elements of marketing research into branding, consumer relationship and loyalty can be used as a further tool to enhance the success of their promotional strategy in this area.

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